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Marketing in South Africa

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Office of Africa

U.S. DEPARTMENT OF COMMERCE
International Trade Administration

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U.S. Government Policy

The United States and South Africa maintain normal diplomatic relations. Throughout the past two decades the United States Government has repeatedly expressed its disapproval of the South African Government's internal policy of separate racial development (apartheid) and the resulting institutionalized racial discrimination.

It is the United States Government's view that South Africa should move toward a political system which provides for the full participation of all its people. In a June 1983 address, the Under Secretary of State for Political Affairs said: "It is essential that South Africans get on with the business of deciding and shaping their own future. The political system in South Africa is morally wrong. We stand against injustice, and therefore we must reject the legal and political premises and consequences of apartheid... Western policy toward South Africa today must focus on how various Black groups acquire the basis and influence necessary to participate in a genuine bargaining process that produces change acceptable to all... We are committed to strengthening the capacity of Black South Africans to participate in their country's society as equals—economically, culturally, and politically."

While the United States maintains normal commercial relations with South Africa and seeks to maintain its share of the South African market, there are several major U.S. export controls on trade with South Africa. Since 1963, the United States has embargoed the sale of arms and ammunition and equipment for their manufacture and maintenance to South Africa. Enforcement of the arms embargo is the responsibility of the U.S. Department of State's Office of Munitions Control. The prior approval of the U.S. Department of Commerce's Office of Export Administration (OEA) is required for the export of goods of a dual-use nature. In addition, a validated export license is required for the export to South Africa of aircraft and certain U.S.-origin commodities, parts, components, and technical data for military and police entities, and computers for certain government consignees. Since South Africa is not yet a signatory to the Nuclear Non-Proliferation Treaty, all exports of equipment to be used in that country's nuclear program are prohibited.

Further information regarding U.S. export controls is available in the *U.S. Export Administration Regulations* published by the Department of Commerce. Specific questions on the controls should be addressed to the Office of Export Administration, U.S. Department of Commerce, Washington, D.C. 20230.

U.S. firms and business representatives trading with South Africa in other non-strategic goods and services are placed under no restrictions peculiar to that country.

U.S. firms are free to participate, equally with any other international participant, in South Africa's industrial exhibitions and trade fairs, to mount a private business visit, or to engage in any other promotional event they think appropriate to that market place.

The United States Government supports the free inward and outward flow of investment both at home and abroad and therefore has no separate unilateral investment policy vis-a-vis South Africa. The U.S. Departments of Commerce and State, and the U.S. Embassy and Consultates in South Africa will, upon request, provide a complete briefing on doing business in South Africa. The final decision regarding trade with and investment in South Africa is left to the company. However, the United States Government encourages all American firms operating in South Africa to establish employment conditions in their South African plants consistent with standards in their U.S. plants. U.S. firms are strongly urged to assume responsibility for the adequacy of worker compensation to permit a decent standard of living for all employees. In addition, U.S. firms with or contemplating investments in South Africa are urged to become signatories of the Sullivan Principles of Fair Employment Practices. (See Labor Section for further information.)

The United States Government discourages U.S. nationals from investing in Namibia (South West Africa). Prospective investors should be aware that U.S. nationals who invest there on the basis of rights acquired from the South African Government after October 27, 1966, will not receive United States Government assistance to protect such investments against the claims of a future lawful government of that territory.

U.S. firms seeking more detailed information on the commercial elements of U.S. policy towards South Africa should call the Department of Commerce's South Africa desk on 202-377-5148.

Trade Outlook

Foreign trade is a major component of the South African economy. The $16.5 billion import bill in 1982 equalled 24 percent of the country's GNP while exports, excluding gold, equalled another 13 percent. Major imports in 1982 included motor vehicle parts, aircraft and parts, articles of iron and steel, automatic data processing equipment, and miscellaneous machinery. (See table 4.)

Two-way trade between the United States and South Africa during 1983 totalled $4.1 billion, a decrease of 5 percent from 1982 levels of $4.3 billion. The decrease can be attributed in part to a lower price for South Africa's kruggerand exports, world recession, and a strong U.S. dollar. South African exports to the United States reflected a slight increase totalling $2.03 billion while U.S. exports fell 10 percent to $2.1 billion.

According to South African trade statistics for 1982, nearly 7 percent of South African exports came to the United States, which ranked third as an export market after Japan and the United Kingdom. The United States in 1982 supplied 14.5 percent of South Africa's non-military and non-oil imports.

Leading U.S. exports to South Africa include capital and transportation equipment and parts. (See table 3.) Although U.S. exports to South Africa are well-diversified, two strong categories of exports include transportation equipment and parts, which account for 12 percent of exports, and automatic data processing equipment, which accounts for over 6 percent of U.S. exports. In addition, equipment for construction, agriculture, engineering, and mechanical handling, as well as machine tools, continue as strong export categories.

For 1982, West Germany held the leading market share in South Africa with 14.7 percent, followed closely by the United States with 14.5 percent, United Kingdom with 11.9 percent, and a growing share of 10 percent held by Japan.

The South African marketplace is well-developed, sophisticated, and competitive. South African importers carefully seek quality products and technology at competitive prices. This trend has been emphasized as South Africa continues to diversify its import sources among foreign markets.

Foreign suppliers successful in the South African market pay attention to market developments and are aware of the importance of efficient delivery. U.S. suppliers should keep in mind that competent servicing with readily available spare parts is vital to the penetration of the South African market.

The South African Economy

During the past 3 years, South Africa has received a sobering reminder of how a decline in international trade coupled with domestic structural weaknesses can limit economic growth. In 1980, with a growth rate of 8 percent, gold prices near $800 an ounce, and investment strong, South Africa looked toward a sustained period of 4-5 percent economic growth rate. By 1982, the gross domestic product (GDP) recorded a negative 1 percent growth rate, representing the first year of negative growth since World War II. GDP continued to fall more than 3 percent in 1983, led by a 14 percent drop in agricultural production and an 8 percent fall in manufacturing. (See table 2.)

While South Africa's economic decline has in part reflected the international recession, lower gold prices, and a severe drought which led to corn imports for this food-exporting country, recovery will depend on how quickly industrialized countries emerging from recession begin once again to purchase South Africa's wide variety of minerals. Signs of recovery were already becoming evident in 1983, when South Africa registered a trade surplus of $3.9 billion with imports down 11.6 percent to $14.6 billion and exports up 6.6 percent to $18.5 billion.

In order to discourage a rapid growth in the money supply and to reduce inflation (11-12 percent) further, South Africa will maintain a restrictive monetary policy. Although the government now views inflation as a significant problem, South Africa has had double-digit inflation throughout the past decade. Major causes have been protection of domestic agriculture and industry, little domestic market competition, a depreciating rand, and economic distortions imposed by apartheid. The government faces the challenge of stimulating the economy through increased spending, while monitoring a growing budget deficit. These conditions may lead to higher general taxes in 1984, while the sales tax has already been increased to 10 percent.

South Africa has taken two actions in recent months which will assist U.S. exporters in gaining easier access to its market. First, a 5 percent surcharge which had been imposed on a broad range of imports was dropped in late 1983. Secondly, effective in January, 1984, quantitative import controls on 90 categories of goods were dropped, with the intent to use tariff protection instead.

With indications that South Africa's recession is ending and that the demand for imports will grow slowly, the level of U.S. exports should once again grow. If the drought ends during the 1984 growing season, U.S. agricultural equipment exports will pick up as postponed investment resumes. As a traditional food exporter, the demand for food processing and packaging will increase. With an improving economy, U.S. suppliers will be able to take advantage of the strong market for data processing equipment and software as well as pursue the potential for exports of industrial process control equipment.

Manufacturing

The manufacturing sector is the leading branch of business activity in South Africa. The importance of this sector is reflected in the increasing percentage of GDP it represents (see table 1). The movement from mining and agriculture to industrial production reflects South Africa's economic maturity. (See tables 5 and 6.) Despite this trend, foreign sources continue to supply a significant portion of the country's capital goods requirements.

During the late seventies, manufacturing production grew rapidly, reflecting a 9.3 percent growth by 1980. Manufacturing employed 1.4 million people in 1980 in over 16,000 establishments. Growth in manufactured exports has been a significant force increasing by 34 percent in 1979 with a value of $7.3 billion.

Iron and Steel Industry.—South Africa's iron and steel industry is dominated by the large, state-controlled South African Iron and Steel Industrial Corporation (ISCOR). ISCOR was established in 1928 to promote the development of the iron and steel and allied industries. While initial production emphasized products such as rails, plate, and wire, the current product range includes structural steel, wire and cables. No monopoly directly over iron and steel production was given to ISCOR, but the firm has developed into a vertically integrated enterprise producing more than two-thirds of South Africa's steel requirements. Private sector firms engaged in the iron and steel industry include: Highveld Steel Industries, Haggies, Southern Cross Steel Company, and Cape Town Iron and Steel. As a result of continuing decreased local demand for steel since 1981, ISCOR has curtailed production by closing six blast furnaces during 1983 thereby reducing both the production of pig iron and steel. At the same time, ISCOR introduced new techniques to improve productivity and reduce coke consumption. For 1982-83 ISCOR sold 4.6 million tons of steel products and 8.1 million tons of iron ore to local and export markets.

During 1983 ISCOR invested over $300 million on capital projects to improve efficiency and upgrade the quality of finished products. Six major projects were completed including: new coking coal briquetting plants, extension of a electrolytic tinning line, upgrading of a blast furnace, modernization of two sinter plants, construction of a 1,500 ton induction furnace, and installation of a crusher and conveyor belt. Projects now underway include: construction of a direct reduction plant, upgrading of two more blast furnaces, modernization of metallurgical facilities, and installation of a coal handling plant. In addition, during 1983 ISCOR developed new steel products to expand current product

ranges and to supply further needs of local industry.

Textile and Clothing Industry.—South Africa's clothing industry began 25 years ago with the manufacture of underwear. The industry is comparatively labor intensive and in combination with footwear manufacturers employed nearly 10 percent of the entire labor force in 1980.

Demand for textile and clothing products since 1981 has decreased as a result of the recession. Textile sales in 1981 totaled $2.1 billion and for the first 9 months of 1982 were down 2 percent from the same period in 1981. The industry, which has been highly protected by tariffs and quotas from imports, continues to be concerned about the challenge of low cost imports. Given the large number of people employed in this industry, import control will continue to be a significant issue. Exports of South African textiles are evident on a small scale, while clothing exports average $37-46 million annually.

Although competition for U.S. exporters is keen for both clothing and textile machinery from European or Asian sources, a preference for high quality American-made fabrics remains. U.S. exporters command 6.3 percent of the total South African imported clothing market. U.S. textile machinery and parts manufacturers are advised to establish personal contacts in the industry and closely follow equipment preferences and trends.

Chemicals.—Chemicals are of strategic importance, and South Africa is striving towards self-sufficiency. A feature of the industry is the wide variety of products, ranging from fertilizers to explosives, from pesticides to plastics, and from mineral salts to synthetic fibers and rubber. Nearly 60 percent of its basic products are of petrochemical origin, and of this at least 75 percent is produced from South Africa's coal reserves. The chemical industry looks forward to an active future with a consistently higher growth rate than the overall manufacturing sector.

The industry is dominated by three large chemical suppliers: African Explosives and Chemical Industry (AECI), SASOL, and Sentrachem. Expansion in this sector has been steady due to a concentrated import replacement effort. AECI produces plastic polymers, paints, filament yarns, and agricultural and organic chemicals primarily derived from coal chemistry. Sentrachem produces a similar product range but emphasizes the use of agricultural raw materials. SASOL, which primarily produces synthetic fuel, also supplies ethylene, propylene, styrene and ammonia.

One area which the chemical industry is emphasizing is the production of methanol from coal as an alternative to oil-based fuel which requires an additional step of separating hydrocarbons. While research is progressing, the Government has not yet decided on which fuel to emphasize. Plastics represent another area of emphasis in the chemical industry. End-users of plastics production include: packaging (34 percent), building industry (21 percent), textiles (13.7 percent), and transport (7 percent). South Africa is rapidly becoming self-sufficient in plastics and raw materials.

South Africa is the second largest market in the world for mining chemicals which are used to improve ore recovery. In addition, AECI is one of the world's leading explosives manufacturers producing nitroglycerine, ammonium nitrate fuel oil, and slurry explosives all used primarily in the mining industry.

A growth area for the chemical industry is the production of pesticides used in agriculture. At present local manufacture provides approximately 20 percent of the $172 million worth of pesticides used in South Africa. Fertilizer continues as an important component in agricultural production. Approximately 60 percent of the fertilizer output is purchased by maize growers. Sugar, wheat, and citrus producers are also reliant on fertilizers.

Computer Industry.—The domestic demand for computers in South Africa has rapidly grown with the increasing sophistication of business and industry. Although the recession in 1983 dampened demand for computers somewhat, the annual purchase growth rate of computer equipment averaged nearly 40 percent from 1978-1982. Estimates of the size of the South African computer market based on the retail sale value plus software services reflect a market of over $1 billion.

South Africa relies heavily on imports to supply local industry and over 90 percent of the computers now in use are supplied by the United States, United Kingdom, West Germany, Japan and Italy. Leading U.S. computer firms such as IBM, Digital, Control Data, NCR, Burroughs, Sperry, Hewlett-Packard, Xerox, and Wang are all represented locally in South Africa.

While domestic manufacture of computer hardware is still limited, local development of software programs is growing. Examples of successful software packages include: a payroll system, a program to write application programs and a casino management system. The leading South African computer group is Barlowdata which owns several computer trading companies. Computer application in South Africa ranges from accounting, manufacturing management, inventory control to education and training.

Major corporations such as ISCOR, ESCOM, and Anglo-American, are utilizing computer aided design/manufacturing systems (CAD/CAM) and the Post Office is considering an electronic funds transfer system. The potential for micro-computers in schools is significant in addition to public and private sector training programs. The banking system is moving quickly toward electronic office systems and financial terminals.

Medical Industry.—At present, the South African medical equipment industry is comparatively limited and emphasizes the manufacture of sterilizers, anesthetic equipment, electronic monitoring equipment, and a range of disposables. Given the importance placed on improving the health care system through improved health care techniques and hospital expansion, the market for medical equipment is projected to reach $184 million by 1985. If supplies and furniture are included, the market will be $570 million. U.S. exports of medical equipment account for approximately 25 percent of the South African market.

During the next few years new hospitals are planned while present hospitals anticipate expansion of facilities. The Groote Schuur Hospital in Cape Town has recently

announced expansion plans. The Natal and Cape Provincial Hospital Administrations plan to construct new hospitals in Port Elizabeth and Cape Town, respectively.

Fuel Industry.—The SASOL coal liquefacation plants in South Africa are well-known in the domestic economy and recognized internationally for implementing advanced and unique techniques. SASOL began in 1950 with the establishment of an oil-from-coal synthetic fuel industry which later diversified into chemicals, fertilizers and gas. At present there are three SASOL plants. SASOL III was commissioned in 1982 with gas being produced just three years after the project was approved.

Although further new plants have not yet been announced, the aging SASOL I plant and equipment will require some replacement and modernization. To date, each SASOL plant has benefitted from the technology and experience gained in the earlier plants, and construction has been accomplished within the original budget targets. SASOL has also required a steady supply of coal which is being met in part by the Secunda and Sigma Collieries.

Agriculture

Agriculture has traditionally been a strong sector in the South African economy, and South Africa has been a consistent food exporter. In 1950, 15 percent of the GDP was attributed to agriculture production; however, in recent years and at present due to the drought, the agricultural sector contributed only 7.2 percent to the GDP in 1982.

Agricultural production in South Africa during the 1983/1984 growing season has been plagued for the third consecutive year by the worst drought that South Africa has suffered in this century. Between 1981 and 1982, production declined 7.4 percent. The forecast summer rains began in early October of 1983, but did not continue in the drought stricken area.

South Africa's most important agricultural products are corn, wheat, grains and sorghum. (See table 8.) Products which need to be imported are rice, rubber (raw), coffee, tea, and cocoa beans. Agricultural export commodities are traditionally sugar, corn, wool, fruit and tobacco. The total value of agricultural exports for 1983 was estimated at $1.5 billion which represents a decline from 1982 figures. Agricultural exports represented 11 percent of total exports in 1982, a 10 percent drop from the 21 percent recorded in 1978. The most significant factors which contributed to the decline in the agricultural sector are the drought and the cost/price squeeze.

The 1983 drought lowered grain production by 53 percent. All summer crops, with the exception of soybean, were down and record oilseed imports are expected. In 1981, output increased by 13.3 percent mainly because of a record corn harvest which was then followed by a 12 percent drop in 1982. The 1983 corn harvest was estimated to be under 3 million tons. As a result, South Africa was forced to import corn for the first time in 31 years: an unprecedented 2 million tons, with over half sourced in the United States.

Wheat and sugar production reached record levels despite the drought in 1982, but production declined in 1983 resulting in the importation of both crops to supplement the country's needs. The wheat crop was a success the same year as corn failed, due to a different growing season and a growing area unaffected by drought. Sugar exports dropped 27 percent despite a 20 percent increase in volume in 1982. The 1983 sugar crop was not expected to meet export commitments, and the country will probably need to import a crop which has been a traditional export earner.

South Africa's sheep population is approximately 32 million and ranks eighth in the world. The population remains relatively constant because 85 percent of the sheep are kept for wool production; however, the karakul sheep herd was cut back by more than 1 million in 1982 because of the drought and low pelt prices. However, there was a 5 percent increase in wool production in 1982. South Africa is the fourth largest exporter in the world, and wool represents 12 percent of all exports for South Africa. Wool exports dropped 9 percent despite an increase in production in 1983. Exports are expected to pick up again in 1984.

Cotton production flourished during the late 1970's which resulted in a significant decrease of foreign imports. However, cotton production declined 50 percent in 1983 after a record breaking crop in 1981 due to drought conditions and low prices. The price of cotton has not kept up with production costs. As a result, imports have increased, but with forecast rains production is expected to increase once again alleviating the short term need for cotton imports.

The South African agricultural sector has recently been in a state of flux after having been relatively stable from 1977 to 1980. Several crops (such as corn, wheat and sugar) reached record levels. Horticulture and livestock production increased in 1982. The drought caused a significant increase in slaughtering which ultimately increased beef production. Imports also increased in 1981 by 44 percent. The underlying reason for this short term drastic fluctuation is the serious effect of the drought. However, the increase in imports is expected to subside when the drought ends, and South Africa will return to its traditional position an exporter of agricultural products.

The South African Government is exploring food-stuff energy alternatives to supplement short supplies of diesel fuel. One alternative is production of ethanol based on corn, sugar and cassava. The Corporation of Economic Development has built an ethanol plant in Kwazulu and has drawn on cassava that is planted there.

Mining

Few countries are as richly endowed as South Africa in metals and minerals. South Africa only occupies 0.8 percent of the world's dry surface, yet it has nearly every useful mineral resource with substantial reserves. South Africa has the world's largest deposits of gold, platinum, chromium, manganese, vanadium, and flurospar. The principal mineral omissions are oil and bauxite.

The metals and mining industry has become highly developed in South Africa. The industry supports a healthy and growing manufacturing sector and serves as the principal source of foreign exchange. Total sales

in 1982 increased nominally to R14.448 billion from R13.673 billion in 1981 (1979, R11.6 billion: 1978, R7.9 billion, 1974, R3.7 billion). Export sales of minerals account for nearly 90 percent of the total sales, and in 1982 increased to R12.1 billion from R11.6 billion in 1981. Mining thus plays a unique role in the South African economy, contributing 14.8 percent to the GDP in 1978—exceptionally high by world standards. Gold exports were the leading foreign exchange earner with a total value of R8.8 billion in 1982 compared with R8.6 billion in 1981 (1979, R6.9 billion; 1978, R4.6 billion). (See table 7.)

South Africa's 1982 mineral output decreased in terms of production and sales tonnages when compared with previous years, yet earnings from mineral export sales increased in part due to sustained gold prices. The surge in export values is not accounted for solely by higher prices. The South African Government is committed to programs that will eventually render South Africa self-sufficient in energy production and develop a sophisticated industrial sector which is import independent. Discoveries of new ore reserves and development of new ore port facilities are furthering these ends.

South Africa is tied to Western industrial nations for export markets, and until there is a widespread economic recovery, mining in South Africa will not achieve the growth rate and profit levels of previous years. At the same time, world demand for South African metals and minerals will remain because it is a major free-world supplier of platinum, chromite, manganese, vanadium, diamonds, gold, etc.

Gold.—Gold is South Africa's most important metal, earning the country R8.7 billion in 1982. That sum represented a 2.5 percent increase from 1981. Gold accounts for well over half of South Africa's earnings of all metal exports. Production rose from 655,755 kg in 1981 to 662,516 kg in 1982, yet the increase in export earnings was largely due to the increase in gold prices during 1982. Gold production is below the 1978 levels of 704,449 kg which produced record earnings but substantially less in value than 1982.

Although there has been a downward trend in production which peaked in 1970 at 1000 kg, South Africa still supplies 51 percent of the world's gold needs, and 70 percent of the world's gold.

South African sales are twice that of the Soviet Union. The South African Government began selling gold in the form of the South African Krugerrands, a 1 ounce gold coin, in 1970. The Krugerrand overwhelmingly dominated the international coin market in 1978 with sales of 6 million ounces. In 1981, 17 percent of gold production was sold in the form of Krugerrands. By 1982, the number of Krugerrands sold dropped to roughly 2 million ounces due to the strong U.S. dollar, relatively low inflation, high rates of interest and volatile gold prices.

The gold industry is expected to resume its previous growth rates as the international community slowly recovers from the recession. At that time, numerous projects are expected to be initiated in order to expand and renovate gold mines. South African gold reserves are immense, and have significant potential for continued gold production. Underground reserves amount to 35,000 tons and above ground stocks to 42,000 tons.

Coal.—Although South Africa's coal industry has enjoyed phenomenal growth since World War II, the sluggish world economy in recent years has contributed to a decline in the demand for coal and subsequently a decline in coal production. The recovery of the world market should signal an upswing in the coal industry. Production in 1982 totaled 140 million tons which represents only a 7.45 percent increase over 1981. The industry's growth, however, is evident when compared to 1978 when production was 90.3 million tons. In 1982, coal was still the second largest earner of revenue (after gold) from mineral exports. Due to price increases, export earnings grew from R977 million in 1981 to R1.117 million in 1982 while the actual physical export quantity declined from 29 million tons in 1981 to 27 million tons in 1982).

Coal reserves are estimated at 110 billion tons. South Africa has two main types of coal, bituminous and anthracite. Bituminous coal reserves are estimated between 60,000 to 80,000 million tons while anthracite amounts to 375 million tons. Exploration in the northern Orange Free State and the Springbok Flats in the Central Transvaal suggests that there are additional reserves. The figures used in estimating coal reserves vary depending on certain assumptions, new discoveries and improved extraction techniques. The quality of South African coal does not compare with the best European coals, but geological conditions enable it to be mined at exceptionally low costs. South Africa must import some of its coking coal for use in the iron and steel industry. However, rich deposits have been discovered in Venda, and the Kemplust mine began producing 30,000 tons in 1979. Reserves of coking coal also have been located along the South African/Mozambique border at Kruger National Park estimated at 900 million tons. While these reserves may in the future reduce South Africa's need to import, the coal will be more costly to produce and mining activity has not yet begun.

South Africa has increased coal exports by 300 percent in recent years, and has hopes of becoming a major competitor with the United States and Australia. South Africa now exports significant quantities to Europe and Japan and has been negotiating long term contracts with Japan which would substantially increase South African exports. Exports are expected to reach 80 million tons by the turn of the century valued at R37 million. Coal is exported mainly through specially constructed port facilities at the Richards Bay Harbor which can currently handle up to 20 million tons of coal per year. Expansion projects at Richards Bay will increase its capacity to handle 44 million tons per year by 1985 and 70 million tons by the end of the century. Train service linking the coal fields to the harbor has been improved and mining techniques refined. The local and overseas demand for South African coal coupled with the recent increase in export quotas has prompted large scale expansion. While Reitspruit and Kleinkopje are still relatively new, Anglo-American Corp (Amcoal) is developing three additional coal mines: New Denmark, which will produce 10 million tons of low grade coal in 1985; Goedehoop, which began construction in 1981 and will produce 3 million tons for export in 1985; and New Vaal,

which will supply a large power station in Lesotho. In addition to new mines, expansion projects are being conducted in existing mines at TransNatal and Rand.

Export goals may not be reached due to increasing domestic needs. Coal already meets 80 percent of South Africa's energy needs and 90 percent of the electricity produced is coal based. With limited oil supplies, coal is all the more attractive. South Africa's oil-from-coal plants (SASOL I, II, and III) will be demanding 33 million tons annually. If South Africa decides to produce methanol as a substitute fuel, it is likely it would be derived from coal. In addition, outside the Koeberg nuclear reactor, further increases in generating capacity will come from coal-fired plants rather than nuclear reactors as the latter take more time and capital. Electricity demand, which had been growing at a rate of 5.9 percent a year, is now expected to grow at a rate less than half that size through the remainder of this decade.

Diamonds.—South Africa is a leading supplier of gem-quality stones. The international diamond market, however, has suffered two consecutive years of the worst recession in 30 years. The largest producer of diamonds, DeBeers, through the Central Selling Organization (CSO) cut back production in 1982 as a result of the depressed state of the world diamond market and stockpiled R2 billion unsold diamonds. DeBeers continues to retain its leading position and contributes 53 percent of the total world production. Exports increased in 1982 to 8,479,061 carats from 8,112,392, but earnings from exports increased marginally in 1982. The value of the country's exports for 1983 were expected to increase 12.5 percent.

Uranium.—South Africa and Namibia have one-seventh of the world's uranium reserves, yet South Africa has produced about one-sixth of the world's supplies for the past 25 years. South Africa is one of the three largest producers of uranium followed by the United States, and Canada. South African production of uranium oxide dropped to 6,862,551 kg in 1982 from a total of 7,234,891 kg in 1981 from 19 plants fed by 21 mines. The significant decrease in production reflects the depressed overseas market and an extensive surplus of 7,235 tons because of stockpiling. In 1980, South Africa still accounted for about 20 percent of the Western world's uranium exports. Revenue from exports of uranium oxide reflected marginal decline in both tonnage and value in 1983 due to the long contracts, but the outlook for 1984 has more favorable prospects.

Most of South Africa's uranium is ultimately exported. However, domestic demand for enriched uranium has risen due to South Africa's nuclear power plant project. Scientists of the Atomic Energy Board have developed a new process for the enrichment of uranium comparable to overseas sources for use in nuclear reactors. As a result, South Africa plans to make its own fuel through locally developed uranium enrichment technology and to supply the Koeburg plant by 1985. It is estimated that there are adequate uranium resources to fuel the domestic nuclear program for the foreseeable future.

Iron.—After a period of substantial growth, the iron ore industry in South Africa suffered another depressed year in 1982 as a result of low prices, high production costs, and weak overseas markets. The output dropped from 28 million tons in 1981 to 24.5 million tons in 1982. However, export revenues increased from R216 million in 1981 to R234 million in 1982, and export earnings are expected to continue to rise in 1983 by 35 percent. (The reason behind most of the increase is the decline in the rand and the increase of the U.S. dollar.) Iron ore represents the largest foreign exchange earner for South Africa among the ferrous, non-ferrous and industrial mineral exports. Saldanha Bay Harbor, northwest of Cape Town, is a deep sea port which is designed to handle iron ore exports.

Reserves that can be worked are estimated at 9.5 billion tons which represents the seventh largest known deposit in the world. Hematite accounts for 80 percent of the iron ore deposits and magnetite accounts for the remaining portion. Extensive deposits of hematite are located in the Postmasburg-Sishen district of the Cape Province and in the Thabazimbi district of the northern Transvaal. Output at Sishen, in the northern Cape Province, by the South African Iron and Steel Industrial Corporation (ISCOR), dominates the iron industry with 19.5 million tons produced annually. Deposits are also located in the Pretoria-Series near Pretoria. Deposits of magnetites may be found in the Bushveld Complex in the northeastern Transvaal. In 1982, hematite production was down while magnetite production increased slightly. The outlook for 1984 is more positive as the Western countries that import South African iron are recovering.

Manganese.—South Africa is a major world supplier of manganese ore rivaled only by the U.S.S.R. South African manganese reserves represent 78 percent of the world reserves and are estimated at 12 billion tons. The majority of these reserves are found in the Kurman and Postmasburg areas of the northwest Cape. One mine in Cape Province produces about one fourth of the free world's manganese. Exports, however, have only increased slightly in recent years due to depressed steel markets which have forced South Africa's major producer, SAMANCOR, to cut production. Primary ores include draunite, bixhyite, pyrclusite and psilomelan, used to manufacture iron, steel and ferroalloy products in the chemical industry. South Africa is becoming a major producer of alloys.

Various Minerals.—South Africa has several other substantial mineral and metal reserves which are significant to not only the local mining industry but also the industrial West.

South Africa's massive *platinum* reserves are estimated at 200 million tons which account for 75 percent of the world's deposits, and 89 percent of the free world's total. The country is the world's largest producer of platinum supplying 70 percent of the world demand which represents a growing share of the world market. The largest platinum producer in South Africa is Rustenberg Platinum.

The Republic's recoverable *copper* reserves represent one percent of the world's needs. Production has dropped marginally, yet export earnings have increased 12 percent. However, local demand has increased 70 percent as a result of a massive electrification program being carried out by the country's Electricity Supply Commission (ESCOM) leaving less copper available for export.

Eighty-five percent of the world's *chromite* reserves are

located in the Bushveld Complex of the Transvaal. Four basic grades of ferrochrome are produced: Charge chrome, ferrochrome silicon and high and low carbon ferrochromium. Production declined in 1982 to 2.16 million tons from 2.87 million tons in 1981. Export tonnage was reduced by almost half to 549,162 tons in 1982 which represents the lowest amount exported in at least a decade. A drop in demand reflects the state of the world steel industry; moreover, escalating production costs reduced South Africa's competitiveness in 1983. Long-term improvement in the chromite and ferrochromium industries depend on the recovery of Western industralized countries. Some are even optimistic about potential ferrochromium production. While South African ferrochromium production now accounts for 42 percent of the world's demand, it is expected to dominate world production by expanding to provide 65 percent of total production.

South Africa is also the single largest producer of *vanadium* ore and supplies approximately 40 percent of the world market which represents a significant drop from the market share of 73 percent in 1981. Vanadium reserves in South Africa are the largest in the world accounting for 49 percent of the world's known deposits. However, vanadium producers have been adversely affected by the depressed demand in the steel industry and an additional competitor, China. Vanadium is used in the making of high strength speciality steels.

Phosphate reserves are the largest known in the world with enough to last 1000 years at present consumption rates. South Africa's largest phosphate producing company, the Phosphate Development Corporation Limited (FOSKOR) has initiated expansion programs through facilities at Richard Bay.

Even though there is an oversupply of phosphate on the market now, the long range outlook is promising. South Africa also has the largest fluorspar reserves in the world and is the second largest producer of that product. In 1981, South Africa supplied 11 percent of the world's needs. Exports declined 50 percent in between 1981 and 1982, yet revenue earnings are estimated to increase by 45 percent 1983 and volume is expected to increase by 34 percent due to increasing reserves and low production costs.

Transportation and Utilities

Air, Rail, Road, and Sea

Air.—South Africa has excellent sea, air, and freight connections with the United States and Western Europe. Pan Am has two weekly flights to Johannesburg from New York City. South African Airways (SAA), which is government-owned and operated, provides weekly flights from the United States (from both New York and Houston) to South Africa and daily flights to the United Kingdom and several European destinations, including Athens, Zurich, Frankfurt, Madrid, Copenhagen, Rome, Paris, Lisbon, Brussels, Antwerp, and Amsterdam. SAA has resumed weekly flights between New York and Johannesburg via Rio de Janiero.

Other airlines flying into Johannesburg include Air France, Alitalia, British Airways, El Al, Iberia, Lufthansa, Swissair Sabena, TAP (Portuguese), and Varig. Other connections may be made through London with daily flights to South Africa on British Airways. SAA offers a comprehensive network of routes throughout the Republic as well as regional services to Zimbabwe, Botswana, Namibia, Swaziland, Lesotho, Mozambique, Mauritius, Reunion, Zambia and Malawi. There are also direct SAA flights to Sydney, Australia; Hong Kong; Buenos Aires; Teipei; and Tel Aviv.

During the period 1980-81, SAA carried a record 4 million passengers and 66,530 metric tons of cargo. A 10-year program to expand Jan Smuts Airport, which services the country's key industrial center around Johannesburg and Pretoria, is underway which will cost R500 million and will include an additional runway and six new arrival and departure complexes. Jan Smuts, one of the top five international airports, will increase its capacity to handle from 3 million to 40 million passengers after expansion is completed.

There are 9 government-operated airports located in Bloemfontein, Cape Town, Durban, East London, Johannesburg, Kimberley, Port Elizabeth, George and Uppington. In addition, other small private and public airfields are scattered throughout the Republic. South Africa is continually expanding and updating its air transportation network. South African Airlines has ordered several new aircraft including another Boeing 737 and two more Boeing 747s. A potential area for marketing is in South Africa's expanding regional air service which is operated by 20 commercial air companies. This service provides daily flights to 84 towns not serviced by South Africa Airlines. This sector offers a market for updated equipment, aircraft and equally short range jet transport. It is estimated that the capital investment of these carriers in aircraft, spare parts and related equipment could reach $20 million.

Rail.—The South African Government, through the South African Transport Services (SATS), owns and operates the country's 21,778 mile rail network of which 40 percent is electrified. As a result of the electrification expansion program the need for greater mechanization and efficiency in track laying has become of prime importance. Most southern African territories use the 3-foot-6-inch gauge. During 1981-82, South African Railway hauled 184 million tons of traffic and carried 752 million passengers. The South African Railways rate structure is classified according to 15 separate listings, each with its own freight rate. Rates vary widely depending on the class of good and the distance traveled.

Roads.—The Republic's road network comprises nearly 183,502 km of national and provincial roads. (National roads, 46,500 km; municipal roads, 35,400 km surfaced.) The transport of commercial goods over this network is restricted under the Motor Carrier Transportation Act of 1930 to limit competition with the Railways. Firms are allowed to deliver specific goods in their own vehicles within a 150 mile radius, and for an even shorter list of goods, within a 300 mile radius. For shipment beyond the allowed areas, a petition must be submitted to the respective local Road Transportation Board. Boards are located in Bloemfontein, Cape Town, Durban, East London, Johannesburg, Kimberley, Peitermaritzburg, Port

Elizabeth, Potchefsroom, Pretoria and Umtata. Appeals of rulings made to the local boards are directed to the National Transport Commission.

Sea and Port Facilities.—Two American flag carriers maintain scheduled sea connections with South Africa: Farrell Lines from U.S. Atlantic ports and Lykes Brothers Steamship Company from U.S. Gulf ports. United States Lines has recently announced plans to begin serving South African ports. The Republic's principal harbors are Durban, Richards Bay, Cape Town, Saldanha Bay, Port Elizabeth, and East London. The South African Government owns all the harbors which are constructed and directed by the Railway and Harbor Administration of SATS. Total international cargo handled by the six major ports totaled 85 million tons in 1982. Durban handled 21 million tons; Richards Bay, 31 million; Cape Town, 6 million; Saldanha Bay, 13 million; Port Elizabeth, 6 million; and East London, 5 million.

South Africa's two newest ports, Richards Bay on the east coast and Saldanha Bay northwest of Cape Town have quickly grown in importance. With greater demand being placed on South African rail and shipping facilities, these ports are considered to be of real strategic importance.

Richards Bay is a specialized port with coal exports comprising over 90 percent of the tonnage handled. Presently, 24 million tons of coal a year is being shipped, and plans are underway to expand the coal terminals which would increase export capacity to 44 million tons a year by 1985. Expansion includes a general bulk-handling facility; a special bulk facility to handle ferro-alloys, steel, granite and timber logs; and possibly a large chemical storage and transport facility. The multi-purpose bulk handling facility will expand the harbor's capacity to handle many different commodities as well as the importing and exporting of cargo. Further, expansion plans are also being made to accommodate commodities such as paper, paper pulp, etc. The expansion is an effort to provide an alternative to the port of Maputo in Mozambique, and to attract wood, pulp, coal and timber exports from Swaziland.

Saldanha Bay is the terminus of a massive transportation system to receive iron ore from the Sishen mine. The ore is transported directly to the modern port facility by a 535 mile railway line. Saldanha Bay is the largest port on the west coast of Africa, and almost all tonnage handled in Saldanha is comprised of ores and minerals. The harbor will also develop into a commercial harbor beyond exporting iron ore exclusively. Separate facilities to accommodate lead and copper have already been established. As a result, the government has shifted responsibility for the project to SA Transport Services from Iscor.

South Africa's major ports have floating and mobile cranes for vessels to work cargo. Durban has two floating cranes with lifting capacities of 25 tons and 40 tons, respectively; Cape Town has two cranes with lifting capacity of 60 and 200 tons. Port Elizabeth and East London both have two mobile cranes with lifting capacity 15 tons and 20 tons maximum. Cargo is granted 48 hours free time by each of the ports, except East London, which grants 24 hours. Storage facilities at each port are adequate.

The port facilities of South Africa are handling an unprecedented volume of cargo flowing in and out of the country. In Durban and East London, refrigerated cargo must be off-loaded and transferred to refrigerated rail cars for shipment inland. Cape Town and Port Elizabeth have refrigerated storage facilities. Cape Town, Durban and Port Elizabeth have expanded to provide large modern container terminals for handling deep sea and coastal container traffic while East London has a smaller terminal to cater to conventional and coaster feeder vessels carrying containers. When container facilities were introduced in 1977, they were designed to handle up to 600,000 containers per year or 70 percent of South Africa's total break bulk trade. Containerization is designed to reduce the time a vessel remains at a wharf to transfer cargo, from a week or more to less than 24 hours. From March 1977 to March 1978, containers conveyed totaled 371,992. By 1982, containers numbered 723,834 which represents a 20 percent increase over 1981. The containerization system is designed to solve the frequent harbor congestion problems in South Africa. The wharfage rate for imported goods is 61 cents per ton and $1.83 per $120 ad valorem pro rata (Note: the value of ad valorem for wharfage purposes is the free on board price of the goods at the port of shipment excluding local excise or sales duty, if any, in respect to goods shipped from another harbor in the Republic or Namibia. If there is no such value, the value as accepted by customs purpose shall apply.) South Africa has no free port facilities.

Theft and pilferage are fairly well controlled in South African ports; however, handling is frequently rough and causes considerable damage to merchandise. Shippers are advised to use wooden boxes or cases instead of fiberboard cartons whenever possible. Protection against water damage is also desirable.

Telecommunications

Annual telephone traffic exceeds 4.4 billion calls. The number of telephones in use is estimated at 3 million and 90 percent were connected by automatic exchanges in 1981. South Africa's telecommunications network ranks 24th in the world in size. The Ministry of Post and Telecommunications, through the South African Post Office, is the sole legal provider of public telecommunications services in South Africa and Namibia. International telephone service between South Africa and other countries is conducted via the South Atlantic Telephone Cable (SAT-1), an undersea cable linking Cape Town with Portugal, and the Atlantic and Indian Ocean communications satellite systems. The radio telephone service is operated to Tristan da Cunha only. If there is a cable failure, the satellite system can take over. This system allows communication between 160 countries which include Europe and North America.

Direct dialing is possible to over 40 countries including a number of neighboring countries and Malawi. The International Telecommunications Satellite Organization (Intelsat) global satellite system established at Hartenbeeshoek operates in the Atlantic Ocean satellite system with circuits to Canada, France, Spain and the U.S. Services are also available to the East, including

Japan, Australia and New Zealand. A third earth station operating via the Interstate Major Duth and Satellite in the Atlantic Ocean region was taken into service in 1979. These stations, which have the capacity to expand in the future, provide telecommunications channels and television transmission and reception relay facilities. These systems have the capacity to expand in the future.

National dialing is possible between all large centers and is gradually being extended to other towns through broad-band microwave systems and high capacity coaxial cable systems. International dialing from South Africa is available in Lesotho, and Mbabane and Manzini in Swaziland. From the Witwatersrand, direct dialing is also available to Zimbabwe and Gaborone in Botswana. Subscribers in the Witwatersrand, in the Vaal Triangle, and in Pretoria are also able to dial subscribers in the U.K. and the United States directly.

Telephone subscribers are offered advanced facilities such as push button dialing and conference calls within the country. Also, an automatic weather announcement service has been introduced in several large towns. A research and development division called POTELIN (Post Office Teletronic Institution) has been operating since 1979 in order to keep up with advancements in the communication area.

Fully automated telex service is available to subscribers in 99 countries. By September 1981, there were 10 automatic exchanges serving some 23,125 subscribers throughout South Africa. Another 94 countries can be reached by manual international telex exchange in Johannesburg. Facsimile transmission is still in very small demand, but data transmission is growing. At the end of 1981, there were 17,506 modems in use growing at 34.3 percent per annum. Over 791 telegraph offices are equipped with teleprinters and can dial each other directly in South Africa, Namibia, Botswana, Lesotho and Swaziland. The Post Office telegraph system handles approximately 35,300 telegrams a day. The automatic inland exchanges used for telex traffic are the same used for transmitting telegrams.

Electricity

South Africa covers 4 percent of the total area of Africa, has just over 5 percent of the population, yet is responsible for supplying 60 percent of all the electricity generated on the African continent. The Electricity Supply Commission (ESCOM) supplies 93 percent of the electricity used in South Africa. ESCOM also exports power to the neighboring states of Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe. ESCOM operates 20 coal-fired power stations, 3 hydroelectric stations and 2 gas turbines with 20,000 MW capacity. Coal is the main source of generation, and in 1981, eighty-eight percent of the electricity came from the coal-fired stations. The new coal powered stations such as Kriel have been built near the coal fields to reduce transportation costs and promote efficiency. The growth rate in ESCOM electricity sales has increased on an average of 8 percent per year. As a result, ESCOM has continued to expand its facilities. ESCOM was recently awarded a contract to build a giant power station along with three smaller stations worth R700 million each for 600 MW. Industry has overtaken the mining sector in highest electricity consumption.

Hydroelectric Energy.—Alternative sources of energy are being explored in order to supplement coal because of the increasing demands for energy. Seasonal fluctuations in the flow of South Africa's rivers requires water storage and dams in order to generate significant quantities of hydroelectricity. Therefore, hydroelectric power stations are necessarily built in conjunction with irrigation projects to make them economically viable. The first major hydroelectric project in South Africa was developed with the Orange River Project. Two hydroelectric stations are operating there at the present time. The Hendrik Verwood (320 MW) and Vanderkloof (220 MW) power stations are located near two large dams. Another source of hydroelectric power is South Africa's second largest river, the Tugela.

The Tugela-Vaal hydro project is designed to increase the Transvaal's future water supply while simultaneously adding 1000 megawatts of power to the national electricity grid. This scheme uses the "pump storage" concept, whereby water pumped to a high level dam during periods of low electricity demand flows back to generate electricity in peak demand periods. This is the first time that the "pump storage" concept has been utilized in South Africa. It was a joint effort on the part of the Department of Water Affairs, Forestry and Environmental Conservation and ESCOM. These projects could yield a total of 4,000 megavolts of power. U.S. suppliers should keep track of the growth and expansion of the hydroelectric projects.

Nuclear Energy.—ESCOM activated its first nuclear power plant in the spring of 1984. Built largely by French companies, the twin reactor installation at Koeberg, some 25 miles north of Cape Town, is expected to reach full power before the end of 1984. At that time the first of the two reactors will generate 920 MW of power. The second reactor is expected to be commissioned soon thereafter. No tenders have as yet been announced by ESCOM for additional nuclear plants.

Distribution and Sales Channels

Demographic Trends

Official South African statistics for the 1980 census reflected a population of 24.9 million. If the population of the so-called "independent" homelands of Transkei, Bophuthatswana, Vanda, and Ciskei, were added in, the population of South Africa would be approximately 28 million in 1980.

South Africa divides its population into four racial groups with the following population distribution: Blacks, 16.9 million; Whites, 4.5 million; Coloureds, 2.6 million; Asians, 806,000. The use of these terms in this publication is done primarily for consistency, and their use does not imply any recognition or approval. The terms used hereinafter are Black for Black South African, White for the white South African, Asian for those South Africans of Indian descent, and Coloured for those South Africans of racially mixed descent.

The 472,359 square mile area of South Africa is divided into four provinces, the 1980 population and area

of which were respectively: Cape of Good Hope Province: 6.7 million and 278,465 square miles; Transvaal: 8.7 million and 109,621 square miles; Orange Free State: 1.7 million and 49,866 square miles; and Natal: 4.2 million, and 33,587 square miles.

Distribution Centers

Approximately 80 percent of the metroplitan population is found in the areas surrounding the cities of Johannesburg, Cape Town, Durban and Port Elizabeth. Nearly 30 percent of the population is urban. Johannesburg, the commercial hub of South Africa, is located in the heart of the Southern Transvaal, an area known as the Witwatersrand which also includes the administrative capital of South Africa, Pretoria. Nearly 50 percent of South Africa's white population lives in the Witwatersrand which provides 25 percent of all job opportunities countrywide. Industry in the Johannesburg area emphasizes steel works, petrochemical plants, and manufacturing which provides over 50 percent of all domestic goods. Johannesburg is 456 miles from its major port, Durban and 954 miles from Cape Town.

Durban, with a population of 960,000 is the largest port in South Africa and one of the busiest in Africa. The triangle of Durban-Pietermaritzburg-Pinetown is the manufacturing core of Natal. Natal's major industries are textiles, footwear, clothing, refined petroleum, chemicals, sugar, and processed food. Many export-oriented industries are located in the Durban area. Lying to the north along the coast from Durban is Richards Bay, constructed to handle bulk cargoes, particularly coal exports with additional facilities planned to handle steel, ferroalloys, and granite.

Cape Town, population 1.5 million, is South Africa's second busiest port and the site of the Republic's legislative assembly. Also located in the Cape area northwest of Cape Town is Saldanha Bay with a port area four times larger than the combined port areas of Durban, Cape Town, Port Elizabeth, and East London. The Saldanha project was initiated by ISCOR as an export harbor for iron ore with the potential to handle commercial shipping as well.

Port Elizabeth, population 585,000, is located 768 miles south of Johannesburg and 490 miles east of Cape Town. Port Elizabeth has a large concentration of motor vehicle assembly plants in addition to tire plants, clothing and textile mills and chemical and pharmaceutical industries. It is the main manufacturing center for South African footwear.

Two other important cities in South Africa are Bloemfontein and East London. Bloemfontein is the capital of the Orange Free State and the Republic's judicial capital. East London is a port on the Buffalo River and primarily handles fruit and grain exports.

Distribution Channels

South Africa offers foreign suppliers a wide variety of methods for distributing and selling their products. The principal methods consist of employing the services of an agent or distributor; selling through established wholesalers or dealers; selling directly to department stores or other retailers; or establishing a branch or subsidiary with its own sales force in the Republic.

Selling through an agent or distributor.—Agents are often used for the distribution of a wide range of both durable and non-durable consumer goods, and for some industrial raw materials. Agents may be appropriate particularly when products are highly competitive and lack a large market. While some U.S. exporters have appointed an agent in each of the major population centers, a single agent capable of providing national coverage is generally preferable. South African agents often represent several product lines, and an exporter should be careful not to appoint one who is handing competitive lines.

In addition to their role as local representatives for U.S. exporters, agents should be capable of handling the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to insure that the agent is adequately representing the sales interest of the exporter.

Capital equipment is often best handled by stocklist-distributors who buy on their own account and carry a wide range of spares. Distributors frequently also handle other commodities, such as chemicals, pharmaceuticals, and brand new products, on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers. In appointing an exclusive representative in South Africa, the U.S. exporter is legally entitled to certain exemptions from U.S. antitrust laws for direct exports by allowing exporters to agree on prices, sales terms, territorial divisions, and other activities in export trade which would be forbidden in U.S. domestic trade.

One of the first steps which an exporter may wish to take in establishing an agent or distributor in South Africa is to make use of the U.S. Department of Commerce agent-distributor service which can be initiated at any Commerce district offices throughout the country. Once contacts are established, it is often advisable to visit South Africa, since first hand knowledge of the market and society is useful. Moreover, such a visit provides an opportunity for a personal appraisal of the relative merits of the prospective agents or distributors. U.S. exporters should carefully research the reputation and financial references of a potential agent and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

In an increasingly competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts and components, and qualified personnel capable for handling service inquiries. In most cases, servicing should be available locally since potential delays often lead purchasers to seek alternative suppliers.

Selling through established wholesalers.—Consumer goods requiring maintenance of stocks and industrial raw materials are often exported to South Africa through established wholesalers.

Selling through retailers/wholesalers.—Many U.S. exporters of consumer goods sell directly to South African retail organizations, such as consumer corporations, department stores, chain stores, and cooperative groups

of independent retailers, to undertake the functions of wholesale buying, selling, and warehousing. Similarly, many manufacturers have established wholesale and retail outlets. Slightly fewer than 50 percent of total merchandise sales pass through both a wholesaler and retailer before reaching the final consumer; 40 percent are made from the manufacturer to the retailer, bypassing the wholesaler completely; 5 percent are made by the wholesaler directly to the consumer, without passing through the retailer, and the remainder bypasses both the wholesaler and the retailer, reaching the consumer directly from the producer or the importer.

Government Procurement

Government purchasing is a significant factor in the South African economy. Nearly all purchasing is done through competitive bidding on invitations for tenders, which are published in official state and provincial tender board publications and leading newspapers. Although both national and provincial purchasing procedures favor domestic firms, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act in its behalf. As a general practice, payment is made directly to the overseas firm, with the agent's fee deducted. Bids for government tenders must be on a c.i.f. basis, and normally must include rail charges inside the Republic to the point of delivery.

National Government Procurement.—South Africa's buying procedures are highly centralized. The Office for State Purchases in Pretoria has responsibility for procuring for over 40 departments. The procedures for procurement of commodities and services at the national level are spelled out in the Government Gazette No. R99 of January 18, 1968. The Office calls for tenders and arranges contrcts on behalf of the Government. Tender notices are published only in the Republic, unless the supplies or services cannot be obtained domestically or if the price of purchasing domestically would be excessive; in this case, the board may approve the publishing of tender notices abroad. The due date for a bid is required to be at least 21 days from the date of first publication of the notice for supplies to be manufactured in the Republic. As a general practice, a lead time of 30 to 45 days is allowed. Bids on tenders should be addressed to the Director, Private Bag 49, Pretoria 0001 under sealed cover with the tender number, due date, and name and address of the tenderer on the outside.

As part of the Government's policy to encourage local industry, the Office of State Purchases employs a price preference schedule for comparison of tender prices. Successful tenderers receive the full tender price.

Percent of Local Content	Percent Price Preference
Not more than 5 percent	1
Over 5 percent to 10 percent	2
OVer 10 percent to 20 percent	3
Over 20 percent to 30 percent	4
OVer 30 percent to 40 percent	5
Over 40 percent to 50 percent	6
Over 50 percent to 60 percent	7
Over 60 percent to 70 percent	8
Over 70 percent to 80 percent	9
Over 80 percent	10

To permit the Office of State Purchases to determine the level of preference to be deducted, tenders must enclose with their bid a certificate showing classification of the supplies offered in terms of local content. In addition to local content preferences, an additional preference, not to exceed 15 percent, including customs duty, may be added. Thus, an item on which there is a 3 percent customs duty and with a local content of 85 percent could receive a total preference of 22 percent (10 percent for local content, plus the additional preference of 15 percent less the customs duty of 3 percent).

Parastatal and Provincial Government Procurement.—Parastatal procurement is guided by, but not bound to, the schedule of local content price preference. ESCOM, for example, has declared its intention to phase out price preferences for local tenderers, which now range up to 25 percent.

Local government purchases have become increasingly significant, and in some cases are open to overseas bidding. The tender regulations of the four provinces—Cape Province, Natal, the Orange Free State, and the Transvaal—provide preferences for articles manufactured locally. The four provincial administrations, local authorities, the so-called "independent" homelands of Transkei, Bophutswana, Venda, and the Ciskei, the South African Transport System and the Department of Posts and Telecommunications use the same price preference schedule followed by the national government.

In addition to national, provincial, and parastatal preference, there is an additional price preference awarded under the Industrial Decentralization Incentives program which came into effect in April, 1982. The preference is either 5 or 10 percent depending upon the "industrial development point" at which the tenderer is located.

The Black Consumer Market

The role of the Black consumer will be a major force in the South African economy in future years, even as that consumers' role and power has expanded through the past decade and a half. Although a large absolute gap remains between White and Black earnings, annual Black wage increases have been outpacing those of Whites for the past several years. Disposable income among Blacks is now estimated at R9 billion and projections indicate that this may increase to R19 billion over the next 20 years.

Projections for the growth of Black spending power show strong expansion. Commercial bank research estimates that Blacks will generate a total of 47.4 percent of all private consumer spending by 1985. The Bureau of Market Research in South Africa predicts that by the year 2000 the Black market will be double the size of the current consumer market.

At present, the focus of most marketing efforts is on the urban Black consumer who is important in such markets as food, drink, toiletries, medicine, clothing, footwear, and furniture. With a 7 to 1 ratio in population to Whites, the Black consumer is the key to success for a number of industries. Particularly with the increase of electrification in urban Black townships such as Soweto, which has an estimated population in excess

of 1 million, the sale of electrical domestic and entertainment appliances will become significant along with increased spending on frozen and convenience foods.

Commercial Practices

Quotation and Terms of Payments.—American and other foreign firms generally quote on an F.O.B. port of export basis. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin. The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the Government or mining companies tend to transact business on a sight draft basis, while small companies tend to operate on documents against acceptable terms. Payment between 90 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required.

Consumer Financing.—Consumer credit is widely used in South Africa. Large retailers, along with many of the smaller ones (excluding the discount operations) extend credit to customers on a regular basis. The ratio of credit to cash sales has been steadily rising. By retail sector, the highest credit/cash ratios occur in household furnishings and clothing, 60 percent. The South African Hire Purchase Act enacted in 1942 and most recently amended in 1972 governs both installment purchasing and hire with purchase option contracts of most categories of goods whose value does not exceed $6,000. Down payment and length of credit terms range from 10 percent down and 24 months to pay for household furniture and domestic applicances, to 25 percent and 30 months for passenger cars.

Business Hours.—Provincial legislation in South Africa rigidly prescribes shopping hours. In most areas shopping starts between 7 and 8:30 a.m. and most close by 6 p.m. from Monday to Fridays, and by 1 p.m. on Saturdays. Exceptions are arranged for certain classes of merchandise, in particular perishable goods, and some grocers stay open until 10 p.m. even on Saturdays and Sundays. Banking hours vary slightly from area to area, but are generally 9 a.m. to 3:30 p.m. Monday, Tuesday, Thursday, and Friday, and 9 a.m. on Wednesday; Saturday banking hours run from 8:30 a.m. to 11 a.m. Lunch is generally from 1 to 2 p.m. and many businesses may be closed during this period.

Black Business Development

Historically, Blacks have been excluded from the business mainstream because of restrictive South African Government policies on locating Black firms, educating Blacks, training Blacks and financing Black enterprises. However, legal restrictions on Black firms are slowly being lifted, education and training are being emphasized to meet the skill's shortage, and more funding is becoming available from a variety of sources for smaller firms.

A number of those restrictions, such as shop size, race of employees, length of residence, type of business, and number of locations have been eliminated during the past decade. Other restrictions and practices, both legal social and educational remain. Blacks are still generally excluded from operating in the central business districts, although a proposal to make such restrictions locally voluntary was introduced into the 1984 Parliamentary session. Since Blacks are not permitted into the White business districts, there is division amongst South African Blacks as to the appropriateness of allowing Whites, even in minority partnerships, into the Black townships.

The granting of business sites and the approval of business proposals by the Black Township Councils under the tutelege of the former Administrative Boards, has become highly political and increasingly distanced from market forces. Workers in the townships, moreover, consider working in the townships less desirable than working for larger, white-owned and run businesses. Black firms must find legal employees. Black owners and managers frequently find themselves untrained and unaccustomed to coping with the many administrative and financial reporting requirements levied on all businesses by the Republic and Provincial governments.

Complicating the above picture is the meager financial resources of most Black entrepreneurs. They cannot raise the cash they need to be judged sufficiently creditworthy by banks who are in a position to extend them credit. Some banks, notably Standard, Barclays and the African Bank, have established specific departments dedicated to the needs of the emerging Black businessman. The Small Business Development Corporation (SBDC) has begun operating and businesses of all races may apply to both the SBDC and the Industrial Development Program for financial assistance.

Black business will expand rapidly in the future as new opportunities open in establishing franchise and licensing arrangements. With more funding becoming available, Black firms are beginning to expand beyond the traditional retail store image. In particular, marketing efforts will in the not too distant future be emphasized to reach the largely untapped Black consumer market.

Black Business Organizations

Organizations such as the National African Chamber of Commerce (NAFCOC) are serving as focal points for management training programs and as information sources for emerging business firms and as an intermediary between Black business, the community, and the South African Government. NAFCOC is also beginning to serve as an umbrella for industrial exhibitions mounted by Blacks to advertise and market products. The efforts of NAFCOC are being assisted by the Association of Chambers of Commerce (ASSOCOM) which has called for an end to discriminatory practices in business areas such as transportation and tourist facilities.

Marketing Aids

Advertising is a highly sophisticated profession in South Africa. In 1981, approximately $550 million was

spent on advertising in the Republic. All major media are available for advertising. The most popular medium is the English language daily press with advertising sales of $98 million. In 1981, TV advertising, which began in 1978, accounted for 19 percent of overall spending. English language consumer magazines have a 14 percent share of press advertising income with $48 million. Trade magazines have an 11 percent share with $39 million while Black publications are showing an increasing share amounting to over 5 percent with $20 million. Radio advertising expenditures represent 12 percent with $63 million while cinema and outdoor advertising was approximately $30 million.

There are over 150 advertising agents throughout South Africa. Their branches in major retail outlets provide a full range of advertising, including market research and full media coverage.

Customarily, advertising agencies are not paid by their clients in South Africa, but rather the newspapers, magazines, and radio corporations reduce their charges for space and time when the purchaser is a recognized advertising agency. The agency then bills the client at the full rate and retains the difference as a commission. The agency's profit is, in turn, limited by law to one-sixth of normal costs of the advertisement.

With this arrangement, the company seeking to bring its products to the public must pay the same charge if the company places the advertisement directly or through an advertising agent. Names and addresses of major advertising agents, newspapers, magazines, market research companies, public relations consultants, and outdoor advertising firms are published together with current rates and other data in *South African Rates and Data* (SARAD). Full subscription costs, which include 6 issues and 6 interim updates, are approximately $100 available from SARAD Publishing Co. (Pty) Ltd. 6 Montreal, P.O. Box 260616, Johannesburg.

Newspaper Advertising

Twenty daily newspapers are published in South Africa, 12 in English and 8 in Afrikaans. The newspaper industry is led by a few large organizations which publish regional newspapers throughout South Africa. There are five Sunday newspapers which give national coverage, four English and one Afrikaans. In addition, there are numerous publications centered in small rural towns. These may be published once or twice a week. They have a limted circulation, however, and are of interest only to residents of the particular regions or towns in which they are published.

Although television advertising was initiated in January 1978, there has not been a decline in newspaper advertising. In the major urban areas where there is a large number of competing dailies and weeklies relative to circulation figures, competition for advertising is strong. As the South African economy continues to grow, the volume of advertising is anticipated to increase. It is also likely that there will be a continued emphasis on regional retail and classified advertising which is more efficiently served by newspapers rather than the limited volume national image advertising of television.

Advertising rates vary according to size and type of advertisement and circulation. Rates are determined by length, layout size and whether color is used. Rates may range from $30 to $40 for weekend papers to $15 to $20 for dailies.

Circulation figures vary by newspaper and region. The following July-December 1981 figures give an indication of the circulation of the more widely read papers: *Rapport* (weekend, Afrikaans: 407,215); *Sunday Express* (weekend, English: 86,758); *Sunday Times* (weekly, English: 464,989); *The Argus* (daily, English: 99,843); *Daily News* (daily, English, 88,928); *Pretoria News* (daily, English: 24,875); *Rand Daily Mail* (daily, English: 106,759); *The Star* (daily, English: 168,511).

Radio Advertising

Radio broadcasting in South Africa is monopolized by the South African Broadcasting Corporation (SABC), a semi-government body. There are seven commercial channels broadcast, including the three regional channels: Radio Port Natal (Natal), Radio Good Hope (Cape), Radio Highveld (Transvaal and Orange Free State), and Springbok Radio.

Radio Bantu, the Black commercial service of the SABC, broadcasts daily in eight different languages, Zulu, Xhosa, Southern Sotho, Northern Sotho, Tswana, Venda, and Tsonga. Over 2,500 spots are broadcast weekly by Radio Bantu. All spot announcements must be broadcast in the language of service in which they appear.

Statistics indicate that 25 percent of South Africa's population listens to one or more of the channels. It is estimated that about 94 percent of white South Africans have access to a radio, while over 7 million Blacks have access.

Listenership statistics for the various channels are as follows: Radio Port Natal, 679,000 daily; Radio Highveld, 1.6 million daily; Radio Good Hope, 1.4 million daily; Radio 1.5 million weekly; Springbok Radio, 1.5 million daily; Radio Bantu, 5.8 million daily.

Advertising costs vary from channel to channel and from broadcast time to broadcast time. There are also different rates for long and short-term advertising campaigns. Based on these variables, approximate advertising rates may be: Radio Bantu per 30 second spot R168-531; regional channels per 30 second spot R12-120; Springbok Radio per 30 second R30-240. Further information regarding radio advertising can be obtained from SABC, P.O. Box 1166, Johannesburg 2000.

Television Advertising

Television broadcasts began in January 1976 with evening 5 hour broadcasts by SABC. Audience growth has been greater than expected and a SABC survey showed that 75 percent of white South Africans watch television at least once a week with peak viewing times attracting 38 percent of white adults. Advertising time is restricted to 8 percent of transmission time with no advertising on Sundays. Advertising rates range from R3204-R7890 per 30 second spot on TV1 and from R1500-R1750 per 30 second spot on TV2/TV3 which are targeted primarily for Black audiences.

Magazine Advertising

About 30 general interest magazines are published in South Africa on a weekly or fortnightly basis, while about the same number are published monthly or quarterly. There is also a highly organized industrial, professional, technical, and commercial press which publishes numerous magazines of interest to particular organizations and groups. Trade and technical magazines have increased their share of advertising expenditures consistently totalling $39 million or 11 percent of total press advertising expenditures. A listing of these magazines with current rates is available in *South African Rates and Data*.

Motion Picture Advertising

Motion picture companies face strong competition from commercial television for advertising revenue. As movie attendance drops, advertisers are turning to the growing audience share that television commands. Theater chains are battling to compete, and among measures aimed at making cinema viewing more attractive to audiences has been a move to shorten advertising programs featured before main attractions.

Cinemark (Pty) Limited is the major motion picture advertising company. Further information concerning its rates is available from Cinemark at P.O. Box 7884, Johannesburg 2000. Rates are determined by time slot and average weekly attendance.

Other popular forms of advertising are outdoor advertising in the forms of posters, billboards and the like, and direct mail advertising. There are numerous companies specializing in outdoor advertising. These companies are organized on a regional basis as costs vary from area to area depending on the media used. An advantage of this type of organization is that it has direct access to local authorities who control public recreation, transport, and other utilities where outdoor advertising can be used.

Direct mail is also a popular form of advertising although costs may be high when one takes printing and postage costs into account. Expenditures for direct mail promotions amount to $33 million annually. Consumer acceptance of direct marketing is good and it is not unusual for a mail campaign to receive a 20 percent response. More information is available from South Africa Direct Mail Advertising Association, Union Square, Plein St., Johannesburg 2000.

Advertising Restrictions

Details about the regulation on the advertising of drugs (as stated in South Africa's Drug Control Act 101, 1965 amended to Act 95, 1971) can be obtained from the Drugs Control Council (c/o Secretary for Health, Private Bag 88, Pretoria). When advertising foodstuffs, cosmetics, and disinfectants, false or misleading descriptions are prohibited. A geographical name which is generally accepted as a generic name for a particular type or variety of foodstuff is allowed. Specific regulations on advertising these products can be found in the Foodstuffs Cosmetics and Disinfectants Act 54, 1972.

Market Research and Trade Organizations

Numerous South African advertising agencies conduct market research activities, including market analysis, opinion research and pools, and specialized trade and industry studies for their clients.

In addition, several firms specialize in the preparation of market research studies. Some of these companies are: Market Research Africa (Pty) 178 Fox St., Box 10483, Johannesburg 2000; P.E. Consulting Group SA (Pty) Ltd., McCarthy Center, Castle St., Cape Town; IMR (Industrial Market Research Consultants) (Pty) Ltd., Fassifern, 35 Ridge Road, Durban; Research International South Africa (Pty) Ltd., 1201 Hillbank, 60 Pretoria St., Hillboro 2038; IMS South Africa, Medical Hill, Box 11260, Johannesburg 2000.

South African public banks also provide assistance on market research. Frequently these services are available in the United States through correspondent arrangements. Many local Chambers of Commerce, which are members of the Association of Chambers of Commerce of South Africa (ASSOCOM), Allied Bldg, Box 694, Johannesburg, publish weekly newsletters containing information of interest to the trading community, as well as a listing of trade opportunities. ASSOCOM itself publishes a quarterly *ASSOCOM Review*. The combined membership of the Chambers of Commerce in South Africa is over 18,000.

Manufacturing firms in South Africa may be represented in one of eight regional Chambers of Industry. In turn, the regional Chambers and associations are represented in the Federated Chamber of Industries, 622 Sanlam Bldg, 63 Commissioner St. Johannesburg. The Afrikaans Handels Instituit (AHI), an organization of Afrikaans-speaking businessmen, is located in Pretoria and publishes the monthly *Volkshandel*.

Two organizations that specialize in the promotion of trade fairs, generally held in Johannesburg or Cape Town, are Specialized Exhibitions (Pty) Ltd., P.O. Box 2900, Johannesburg 2000 and Exhibition Promotions of South Africa (Pty) Ltd., P.O. Box 6210, Johannesburg 2000.

Import and Tariff Regimes

Tariffs and Import Controls

Botswana, Lesotho, Swaziland, and South Africa form the Southern African Customs Union (SACU). SACU originated in 1910 and was renegotiated in 1969. The Customs Union provides for the general free entry and exit of goods within the four-country area, a common external tariff, and a sharing of customs revenues.

Customs Union tariffs are classified by the international Customs Cooperation Council Nomenclature (CCCN). The tariff is two column: Most Favored Nation (MFN), applicable for goods from the United States and most other GATT members; and General, applicable for goods from all other trading partners and all goods when a separate MFN tariff is not given. As far back as 1925, the South African Government embarked on a policy of active encouragement of secondary industries by means of the customs tariff. Protection is selective.

While the tariff system is designed to promote industrial development and growth, it is not designed to burden basic industries with high tariffs on equipment which is not available locally. On the other hand, secondary industries rely on protective duties for survival against strong competition from abroad. The Government does not hesitate to act effectively and quickly against dumping and other forms of disruptive competitive.

Under the import control system which South Africa introduced in January 1984, imported goods are divided into one of two schedules which determine the type of license required. Schedule One includes specific items which can be imported only with a license that specifically describes the goods. Schedule One covers a fairly limited range of goods including wines, clothing, paper, footwear, secondhand motor vehicles, certain consumer goods and textile fabrics. The Minister of Economic Affairs is authorized to classify Schedule One goods according to the source or final destination of the goods, to prescribe the value or quantity of goods which may be imported under a given license, and to revoke a license. Schedule Two goods may be imported from any country without an import license. Schedule Two includes a wide range of goods ranging from certain foodstuffs, manufactured goods, capital goods, and industrial equipment. In many cases, machinery, apparatus and appliances for factory installation will have low import duties.

For articles subject to duty on a value basis, the dutiable value is the normal price or free-on-board (FOB) price of the goods in the country of origin, whichever is greater. Normal value is considered to be the wholesale market price in the exporting country plus all costs, charges, and expenses incidental to the sale and to placing the goods on board. Buyers pay any applicable duties or taxes, which are therefore not included in the normal price. The value for customs duty of imported goods is their normal price plus 15 percent of that price. For purposes of determining the normal price, foreign values are converted to the exchange rate current on the date of purchase (date of supplier's confirmation of order) or the rate prevailing at the time of exportation to South Africa. Dutiable weight for the assessment of specific duties is the legal weight of the merchandise plus the weight of the container in which it is sold, unless specified otherwise in the tariff.

Sales Tax

As of June, 1984 a general sales tax of 10 percent is placed on all goods and services at the point of final sale. The value for sales tax on imported commodities is the FOB value plus 15 percent of that value, plus any non-rebated customs duty payable on such commodities. If part or all of the customs duty is to be rebated, that portion of the customs duty is not included in the value for sales tax computation.

Excise Tax

An excise tax is levied on the imports of a number of locally produced goods such as wines, tobacco, petroleum products, and motor vehicles. The excise tax is added to the customs duty.

Documentation

Shipments to South Africa should include a *commercial invoice* which shows the price charged to the importer in addition to the cost of placing goods on board ship for export, *bill of lading, insurance documents, packing list,* and any other specific documentation requested by the importer. In addition, for shipments of goods for which a duty lower than the general rate is claimed, a Declaration of Origin, Form DA 59, is required certifying the country of origin, description of goods, weight, etc. At least three copies of the invoice should go forward under separate cover to the consignee prior to the arrival of the goods. A U.S. Export Declaration is required for shipments valued at more than $500 or if a validated license is required.

For detailed information concerning the proper preparation of an invoice form, U.S. firms should consult the Exporter's Encyclopedia, published by Dun and Bradstreet. Reference copies of this publication are available in all U.S. Department of Commerce District Offices and in major commercial and public libraries.

Information regarding South African customs duties applied to specific products may be obtained from the Country Specialist, Office of African Affairs, U.S. Department of Commerce (202-377-5148) or from any Department of Commerce District Office. Inquiries should give a complete product description with appropriate CCCN number if known.

Warehousing

South African regulations require that all goods must be landed and entered within 7 days after arrival of the importing ship unless the Secretary of Customs provides an exemption. If this procedure is not followed, the Customs officials may transfer the goods to a state customs warehouse where charges are assessed at 2 Rand per 100 kilograms each week. After three months, the goods may be sold at public auction.

Goods may be stored in bond without payment of customs duties, except dumping or special duties, in any bonded warehouse or in an unbonded warehouse with approval by the Secretary of Customs.

Weights, Measures and Labelling

South Africa officially shifted in 1974 to the metric system of weights and measures, known as the International Systems of Units (S.I.). All commercial and manufacturing enterprises must produce and package all of their goods in metric terms.

The Trade Metrology Act (No. 77 of 1973) specifies S.I. marking requirements and the quantity measures used in prepackaged goods. All goods shipped to South Africa must conform with the S.I. system. For imports of goods which have no local equivalent or the limited shipments of a new product line, exceptions may be granted by the Director of Trade Inspections. Although packages can show U.S. denominations with metric equivalents, the metric figure must come first and be conspicuous on the container. While marks of origin are not mandatory under either U.S. or South African law,

U.S. exporters may find country identification useful for establishing product and manufacturer recognition.

Further information on metric requirements can be obtained from the Director of Trade Inspections, P.O. Box 431, Pretoria 0001 or the Metrification Department, South African Bureau of Standards, Private Bag X191, Pretoria 0001.

Pricing

Price control of certain commodities in South Africa is estalished by the Price Control Act of 1964, as amended to Act 39 of 1976. Under this Act, the Price Controller may fix the maximum wholesale and retail price for certain goods, set the maximum charge for specified services, and freeze prices.

In general, controlled prices apply to goods of primary interest to the agricultural sector, goods produced under near monopolistic conditions and goods in short supply. The current list includes items such as agricultural machinery, liquor, coal, fertilizers, steel products, meat products, milk, petrol, sugar and tires.

Other provisions of the Price Control Act set marking requirments and stipulate that prices cannot be evaded through auction sales. The Act also requires that persons offering goods or services for resale keep and retain records for possible recall, indicating purchase costs, manufacturing costs, and selling prices. Details on South Africa's Price Control regulations may be obtained from the Price Controller, Department of Commerce, Pretoria.

Samples and Advertising Matters

South Africa has acceded to the Customs Convention of ATA ("Admissions Temporaire-Temporary Admission") carnets for the temporary importation (and export) of goods. The ATA carnet may be used in the Republic of Africa, Botswana, Lesotho, Swaziland and in other countries which are parties to the Customs Convention. A carnet simplifies customs procedures for certain classes of temporary imports (and exports) by replacing the normal customs documentation and the provision of security (e.g., by deposit) in the country of temporary importation. Carnets may be used for: goods for display or use at exhibitions, fairs, meetings and similar events; professional equipment such as equipment for the press, cinemagraphic equipment, engineering, topographical, surgical, electrical, archeological, and entertainment equipment; and commercial samples imported for the purose of being shown or demonstrated in the Republic of South Africa for soliciting orders for goods to be supplied subsequently from abroad. It is the obligation of the holder of the carnet to ensure that the customs authorities of South Africa will accept an ATA carnet for the import in question. Inquiries should be addressed to Foreign Trade Manager, ASSOCOM (Association of Chambers of Commerce of South Africa), P.O. Box 694, Johannesburg, Republic of South Africa. Applications for carnet should be forwarded to the U.S. Council of the International Chamber of Commerce, 1212 Avenue of the Americas, New York, New York 10036 (tel: 212-354-4480).

Samples of no commercial value are received free of charge. Catalogs, price lists and trade publications of firms or persons having no established place of business in South Africa or no representative holding stocks in South Africa may be admitted duty free. Publications and advertising matter relating to fairs, exhibitions, and travel in countries outside South Africa are likewise admitted free of duty.

Banking and Credit

The banking system in South Africa is similar to the British system and is well-developed and includes commercial banks, general banks, merchant banks and discount houses.

The South African Reserve Bank (SARB), which is privately owned, fulfills the functions of a central bank. It maintains Government accounts, holds the commercial bank reserve accounts, manages South Africa's gold and foreign reserves, and issues bank notes. As of the end of 1983, total assets of SARB amounted to 7.8 billion Rand.

There is an extensive network of commercial banks in South Africa with over 3,000 branches. The major banks in South Africa include: Barclays, Standard Bank, Nedbank, Volkskas, Bank of Lisbon and South Africa, the South African Bank of Athens Ltd. Co., and Citibank. Commercial banks offer the range of banking services including check cashing, term deposits, overdraft loan advances, and foreign exchange transfers. Commercial bank total assets at yearend 1982 totaled 26.1 billion Rand.

Merchant banking in South Africa follows the London model. Services include short-term deposits, financing of trade transactions, purchase and sale of public bonds, foreign exchange, negotiation of foreign loans, acquisition and merger advice, and portfolio investment planning. Merchant bank total assets at yearend 1983 totaled 2 billion Rand.

General banks, similar to the services of commercial banks, in South Africa provide general loans, installment purchase credit, and merchandise leasing. Total assets of general banks in 1982 amounted to 10.7 billion Rand.

South Africa's first Black-owned bank, the African Bank of South Africa (Afribank) was founded in 1975 funded in part by other South African banks and public stock purchases. The main focus of Afribank is the development of and assistance to black enterprise. Since 1975, Afribank has opened branches in Soweto, Bophuthatswana, Transkei, and Pretoria. In January, 1981, the Bank announced that its share capital would be increased to 3.3 million Rand with new shares available only to blacks to encourage greater black participation. At present Afribank's freedom to open branches in "white" central business districts is limited.

The National Finance Corporation (NFC), which is a government controlled agency formed in 1949, supplements existing facilities for the investment of short-term funds in treasury bills and government bonds. The NFC is the borrower of last resort for the public and all financial institutions.

In recent years, regulations of banks have eased. In 1986 deposit rate ceilings were abolished, liquid asset

reserve requirements have eased and limits on retail finance charges have been raised. The prime lending rate fluctuates and reached 20 percent in early 1983 while maximum mortgage rates reached 18.75 percent. In 1982, banks abolished set prices on interest and service charges which has led to strong competition among banks to attract depositors. In addition, banks have begun to enter mergers in periphery finance service areas such as insurance or leasing services.

Under the International Banking Act of 1978, there is a requirement that once a foreign-owned bank reaches $24 million in share capital, it must open its shareholding to local participation with a goal of reaching 50 percent South African ownership within the next 10 years. However, the Minister of Finance has flexibility in negotiating the implementation schedule.

Currency

The monetary unit of South Africa is the Rand which is decimally divided into 100 Rand cents. Since 1979 the exchange rate of the Rand has fluctuated vis-a-vis other currencies. The average exchange rate for 1983 was 1 Rand equals $.90. South Africa, Lesotho and Swaziland form the Rand Monetary Area for which the South African Reserve Bank acts as a central bank. Lesotho and Swaziland have their own national currencies although exchange rates follow the value of the Rand.

Stock Exchange

The Johannesburg Stock Exchange (JSE), which evolved from the mining houses in South Africa, is the only stock exchange in South Africa. By the mid-1950's, the share of manufacturing, industrial, and commercial companies began to challenge the domination of mining on the Exchange. In 1980, the JSE ranked 7th worldwide in terms of market capitalization.

For the year ending March, 1983, market capitalization totaled 85 billion Rand made up of 22.7 billion Rand for gold, 19.7 billion Rand for mining financials and 34 billion Rand for the industrial sector. The requirements which a foreign or domestic firm must meet to qualify for a listing on the JSE include: a subscribed capital of 500,000 Rand, public holding of at least 30 percent of the first million shares, a satisfactory profit history for the last 3 years, approval of the memorandum of incorporation. Activity in the JSE is influenced by South Africa's economic climate, gold prices, and during 1983 by the shift to a unitary Rand system.

Investment

The U.S. Department of Commerce estimated the U.S. direct investment position in South Africa to be $2.3 billion at year-end 1983, the latest year for which data are available. In 1981, the South African Reserve Bank put total foreign direct investment in South Africa at $17.1 billion, of which $16.2 billion was in the private sector. The EEC countries accounted for 62 percent of the investments.

South Africa maintains an open door policy for foreign capital, which plays an active role in the country's economic development. Private foreign investment is welcome, especially in capital and intermediate goods as the country is largely self-sufficient in consumer goods. While the Government has played a large role in developing strategic industries, private enterprise is seen as primarily responsible for economic growth. With few exceptions, foreign and domestic investment capital is treated equally under South African law.

Industrial Decentralization Program

In April, 1982, the South African Government introduced an Industrial Decentralization Program (IDP) which offers financial incentives to firms which locate in targeted industrial development areas ("growth points") outside urban centers. In contrast to previous decentralization plans which focused primarily on homeland development by offering tax deductions or rebates, the current program relies on financial incentives such as cash grants rather than penalties or restrictions. In addition, to restrain the further concentration of firms in existing metropolitan areas, subsidies such as housing, transportation and electricity which may now exist in metropolitan areas will be eliminated.

The two types of development areas which the government has identified are: *Decentralization* points which exist near the metropolitan areas of Pretoria/Witwatersrand, Cape Town, Port Elizabeth/Uitenhage, and Durban/Pinetown; and *Industrial Development* points which are located near small towns or rural areas. Under the decentralization program, South Africa has been divided into eight regions with individual Regional Development Advisory Committees.

Long-term financial incentives include: reduced railroad fees for products manufactured in but sold outside development points, reduced harbor fees at Port Elizabeth, concessions on road transport costs, subsidies on electricity and mortgage interest rates, and cash grants for training costs. Short-term financial incentives include cash payments to subsidize labor bills, interest subsidies for investment in land and buildings, factory buildings' rental subsidies, electricity and mortgage interest rate subsidies, and cash grants for training costs. Incentives vary by region and type of development point.

The South African Development Bank has been established as a part of the Decentralization Program. The bank will finance, through soft loans, infrastructure and industrial projects based on the merit of individual applications. In addition, the Small Business Development Corporation which was introduced in 1981 will promote further development of existing small firms through loans and guarantees. Further information on this program can be obtained from the Decentralization Board, Private Bag X342, Pretoria 0001.

The 1973 Companies Act, as Amended

The Companies Act, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The Act makes no distinction between locally owned or foreign owned companies. Foreign investors normally conduct business activities through corporations and private companies. A private, locally incorporated, limited

liability company is a common organization to carry on operations as a subsidiary of another company. A corporation is required to file annual financial statements and reports with the Registrar of Companies. While there is no limit on the number of shareholders in a corporation, private companies may only have up to 50 shareholders. A private company is identified by the words "Proprietary Limited" in its title.

Any non-resident or external company must register as an external company within 21 days of establishing an office in South Africa. The current registration fee is 50 Rand with an annual duty of 80 Rand. Government approval is not required for registration. There is no requirement that a certain percentage of share capital be held locally.

The registration of a company is established by filing the following information with the Registrar of Companies: a certified copy of the Memorandum and Articles of Association as specified in the 1973 Companies Administrative Regulations; the registered address; the name and address of the local auditor for the company; and a share capital duty receipt. The company's directors need not be South African nationals or residents of South Africa. An external company, within 6 months after the end of its financial year, must file annual financial statements with the Registrar.

For public companies which issue a prospectus, proof must be submitted to the Registrar that: each director has paid full price for the shares; and the number of shares issued equals the stated minimum subscription. For public companies with share capital, the following must be forwarded to the Registrar: a director's statement stating that capital is adequate for business operations; particulars of the directors and officers; and proof that the annual duty has been paid.

The principal differences between private and public companies include the following: a private director need not lodge with the Registrar a written consent; a minimum subscription is not required of a private company; the public company may not commence operations until receipt of the Registrar's certification; the private company need have only one director; the private company is not subject to the statutory meeting and reports requirements; private companies may not offer their shares for public subscriptions; and a private company's shares are restricted in their freedom of transfer.

Land Ownership and Leasing

Land may be held either under freehold tenure whereby occupiers are the registered owners of their properties, or under leasehold tenure, encountered in mining areas and in certain areas of the larger municipalities, where the length of the tenure ranges from 30 to 99 years. Under the 99-year leasehold Act of 1978 Blacks with the backing of their employers can obtain mortgages from private lending companies to purchase, build, and improve homes. Rights to minerals under the surface may be separate from rights to ownership of the land (Sections 71 and 72, Act 47 of 1937). Most municipalities control the use of the land within their jurisdiction through zoning provisions for residential and industrial development. There are restrictions on the areas in which members of a race can own real property.

Entry and Registration Capital/Exchange Control Regulations

Exchange control regulations in South Africa are administered by the Treasury, the Reserve Bank, and commercial banks. The regulations apply to resident individuals or companies including branches and subsidiaries resident in South Africa. In practice, South Africa seeks to maintain a favorable foreign investment climate and most currency transactions are carried out freely after permission is granted by the authorities. Controls include: the local borrowing of non-resident owned or controlled South African companies; and the overseas borrowing of South African companies.

In Feburary, 1983, the South African government announced that its two-tiered currency system would be abolished in favor of a unitary currency. As a result, the financial rand, which was created in 1979 as a medium for non-resident direct and portfolio investment, has been eliminated. In practice, while the commercial rand was subject to a managed float, the financial rand freely fluctuated often at a discount of up to 30 percent.

Foreign exchange controls on non-residents have existed under various schemes since 1961 to prevent outflows of foreign capital. The move in 1979 to create the financial rand was considered a step closer to a unitary system. The margin between the financial Rand and the commercial Rand narrowed in late 1982 due to improved current account conditions, a higher gold price, substantial gold reserves, and a drop in imports. The immediate result of eliminating the financial Rand was a drop in the Rand's value. According to Reserve Bank officials, the elimination of the financial Rand shows confidence that South Africa can compete with world currencies as well as confidence in the political stability of South Africa.

For foreign investors, the following conditions exists:

1) Flows of equity capital into South Africa do not require Reserve Bank approval. Inflows of loan capital are subject to bank approval. Although the Reserve Bank does not guarantee remittances of profits abroad, in general there is a blanket approval for such remittances.

2) Repatriation of profits from foreign-owned domestic investments does not require Reserve Bank approval. Repatriation can now be made through the unitary Rand.

3) There is no formally established period within which dividends must be repatriated to a foreign parent company if the local campany has no South African loans outstanding. With outstanding loans, permission to repatriate dividends must be obtained from the Reserve Bank.

4) The procedures and limitations for a foreign-owned company to borrow locally remain unchanged at this time. In general, the following formula indicates the amount which can be borrowed based on the amount of foreign capital in the local company:

50% of local share value plus

$$\frac{\%\text{ South African interest}}{\%\text{ of foreign investment}} \times 50\%$$

Thus, if a subsidiary of an overseas concern is South African owned, the policy would normally be to permit such concerns to borrow locally an 'additional' percentage of the shareholders fund.

In South Africa, direct investment transactions include: establishment of subsidiaries or affiliates; overseas acquisition of a controlling interest in a South African firm; increases in the holding of loan and share capital in existing subsidiaries by foreign companies; retained profits by local subsidiaries.

Treasury approval is arranged automatically for payment for imported goods. Permission to purchase foreign currency is automatically granted for imported goods provided that any required licenses have been obtained. If the supplier requires preshipment payment, Exchange Control approval is required. Interest payments may be transferred freely. Payment for royalty and licensing arrangements and technical and management services to foreign associates requires Exchange Control approval.

Salary transfers by South African companies to non-residents require Exchange Control approval. Director's fees up to R1000 Rand per year to non-residents may be made freely. Banks routinely approve the transfer of funds by foreign nationals to their home country provided that a declaration by the employee and a letter from the foreign nationals' employer have been filed with Exchange Control authorities. For updated developments on these controls, the reader may contact U.S. Department of Commerce South Africa Desk (202-377-5148).

Licensing Procedures

A South African firm that wishes to conclude a licensing agreement with a foreign firm must apply for permission to the South African Department of Industries. The Department of Industries will in turn advise the Exchange Control Authorities of the South African Reserve Bank whether the agreement should be accepted. The Reserve Bank then authorizes the use of foreign exchange to pay the royalties.

Certain conditions are considered null and void if included in a licensing agreement. The conditions are those which have the effect of prohibiting or restricting the purchaser or licensee from purchasing or using any article or class of articles, whether patented or not, supplied or owned by any person other than the seller or licensor or his nominee; prohibiting or restricting the licensee from using any article or process not protected by the patent; requiring or inducing the purchaser to observe a specified resale price in respect to any article or class of articles protected by the patent; and/or prohibiting or restricting the making, using, exercising or vending of the invention concerned in any country in which the invention is not patented.

License agreement applications should include a description of the product and an outline of the manufacturing process, justification of the proposed royalty fee, a description of the product's end-use, verification that the applicant is registered as an importer, and the estimated annual production figures.

The South African Government considers South Africa to be self-sufficient to a large extent in the manufacture of consumer goods and is therefore not in favor of the payment of high rates of royalties on these items. In the field or intermediate goods or capital equipment, the Government will consider higher rates, ranging from 4 to 7.5 percent of manufacturing costs.

Patents, Trademarks and Copyrights

South Africa is a member of the Paris Union International Convention for the protection of Industrial Property (patents, trademarks, commercial names and industrial designs). Under this Convention, U.S. firms and investors are entitled to receive national treatment in South Africa, i.e. treatment equal to that accorded South African citizens by the local laws covering patents, trademarks, and copyrights. In addition, any person who has applied in a Convention country for registration of a patent, trademark and design is also allowed to file a corresponding application in South Africa using the first registration date. The South African application must be filed within 6 months of the first application for trademarks and designs and within 1 year for patents.

Under the Patents Act of 1978, patents are granted for any invention which involves an inventive step such as products, methods or processes capable of being used or applied in trade, industry, or agriculture. Patents are granted for a period of 20 years from the filing date of the application. After 3 years, annual renewal fees are required. To obtain a patent, an application and full specification is filed through the Patent Office in Pretoria. The application is reviewed and if found in compliance, acceptance is published.

Trademark registration is valid for 10 years from the date of registration and may be renewed thereafter every 10 years. Goods are classified in 34 classes while 8 classes exist for services. Registration is considered a territorial concept and registration overseas will not necessarily prevent its use by another party in South Africa. Cetain rights under common law may be considered. Registration of a trademark is filed with the Trade Marks Office in Pretoria and acceptances are published. Under certain conditions, a trademark used by more than one person can be registered to several parties for concurrent use. Marks are registerable as Part A (distinctive) and B (capable of becoming distinctive). Part A registration, if valid 7 years, becomes incontestable on prior use grounds. A trademark can be cancelled if not used within 5 years.

Under the Copyright Act of 1978, the following categories are eligible for copyright in South Africa: literary, musical and artistic works, cinematographic films, sound recordings, and broadcasts. Protection for literary, musical and artistic works is 50 years after the author's death. For films, photographs, sound recordings and broadcasts, protection extends for 50 years from the year the work is released or broadcast. Although registration of film copyright is available, other copyrights are established automatically and registration is not required. Inquiries should be addressed to the Registrar of Patents, Design, Trademarks and Copyright, Zania Building, 116 Proes Street, Pretoria.

Taxation

The statutory authorization for taxation in South Africa is the Income Tax Act No. 58 of 1962. The Republic levies taxes such as income, sales tax, estate taxes, customs and excise duties, and company taxes. Provincial authorities receive funding (for public expenditures) from the Central Government and in turn may levy supplemental entertainment and vehicle taxes.

Taxation in South Africa is based on income "derived or deemed to be derived from sources within South Africa." Although source is not clearly defined in the Tax Act, it has been interpreted as the origin of the income earned. The following examples have been determined as taxable by South Africa: sale proceeds of a contract made in South Africa; income from services provided or employment; interest income on loans and deposits in South Africa banks; and royalties.

In terms of taxation, a distinction is made between: a domestic company which is either incorporated in South Africa or managed and controlled in South Africa; an external company which is not incorporated or managed in South Africa. External companies are liable for a shareholder's tax, interest tax and a withholding tax on royalties while being exempt from undistributed profits tax. At present there is no capital gains tax in South Africa. In addition, companies are classified as either public companies or private companies. The basic difference between the two is that public companies are allowed a plowback allowance on dividend income in determining the undistributed profits tax.

Taxable income is determined by first establishing the 'gross income' during the tax year. Gross income is the sum of total receipts less capital receipts and receipts from non-South African sources. 'Gross income' minus permitted exemptions is 'income', while 'taxable income' is that amount remaining after deduction of expenditures incurred in the production of income.

Companies formed in South Africa must register with the local revenue department responsible for administering the tax laws under the Commissioner for Inland Revenue. The normal fiscal year's end is the last day of February and returns must be filed within 60 days. A company wishing to end its financial year on any other date must obtain approval from the Commissioner.

The 1946 United States-South Africa Income Tax Convention applies to U.S. federal income taxes and excess profit taxes and to South African normal, super, undistributed profits, and non-resident shareholders taxes; excess profits duties, and trade profits special levies. South Africa may not tax U.S.-sourced income; the United States may tax the South African income of U.S. citizens, but allows credit for taxes paid to South Africa. A company's income must be allocated between the two countries if the firm maintains a permanent establishment in each.

Taxation of Companies

The current tax rate for companies in South Africa is 46.2 percent (including a surcharge of 4.2 percent) of the taxable income. For mining companies the rate varies from diamonds at 51.75 percent to natural oil at 69 percent to gold which is based on a formula plus a 15 percent surcharge.

The undistributed profits tax is assessed at the rate of 33⅓ percent on the amount by which the distributable income of a firm exceeds the distributed dividends. The distributable income is the firm's total net profits less taxes paid, a 58 percent allowance of non-dividend net profits, and the cost of new machinery and equipment. Public companies are allowed an additional 50 percent allowance for dividend net profits. Companies exempt from the undistributed profits tax include mining, insurance, public utilities, banks, external companies deriving more than 50 percent of their net profits from non-South African sources, and companies with at least 50 percent of equity held by foreign shareholders.

Depreciation deductions are allowed for furniture and fittings (10 percent), machinery (10-25 percent), motor vehicles (20 percent), computers (20-33 percent), trucks (25 percent).

Investment allowances are also allowed new industrial plant and equipment (30 percent), hotel buildings (10 percent), hotel equipment (20 percent); and annual allowances are allowed for industrial buildings (2 percent), scientific research (25 percent), patents and trademarks (4 percent).

Tax Incentives

In addition to the deductions described above, an exporter's allowance is granted to taxpayers involved in the export of goods produced, manufactured or processed in South Africa. The allowance ranges from 75-100 percent of marketing expenditures such as market research, advertising, preparation of tenders, samples, establishing overseas agent, registration of patents and trademarks, and warehouse maintenance.

Under its program to promote decentralization, the South African government also allows tax exemptions for subsidies such as wages, training programs (57 percent of expenditure), relocation costs. Additional decentralization incentives include: a 10 year interest subsidy on 100 percent of land and building investment; rental subsidies up to 80 percent, transportation rebates up to 60 percent; tender preferences of an additional 10 percent for government purchases; housing loans; and electricity subsidies. (See the above section on the Industrial Decentralization Program for additional details.)

Other Taxation

A stamp tax is levied on most legal documents and agreements in South Africa. This tax is also applicable for documents drawn up outside the country which relate to a transfer of property within South Africa. The tax rate ranges from 20 rand cents for customs and excise documents to five rand for partnership agreements. A transfer tax is levied on real estate ownership transfers. For individuals the rate is one percent on the first 30,000 rand and 3 percent for properties valued above 30,000 rand. For companies the rate is 5 percent of the total price.

A donations tax (gift tax) is imposed on all gifts made by South African residents and private companies. The

tax is assessed on the cumulative value of the donations with the rate ranging from 3 percent on donations up to 8,000 rand to 25 percent on donations over 90,000 rand.

Since 1978 the South African government has imposed a sales tax on all transactions which include the sale of new goods, leased property, hotel lodging and imported goods. The current sales tax rate is 10 percent. Property taxes on residential and industrial properties are levied by individual municipalities.

Non-resident individuals carrying on business in South Africa are subject to ordinary income tax with some modifications. The basis of determining an individual's taxable income is identical to that applied in arriving at a company's taxable income. Taxable income is the amount remaining after deducting exempt income and allowable deductions from gross income from South African source. Persons engaged in temporary employment (less than 183 days) may be exempt from taxation. However, non-resident companies and individuals are subject to shareholders's tax equal to 15 percent of dividends paid. In addition, there is a non-residents's interest tax at the rate of 10 percent of interest paid.

Employment

Labor Force

Out of an estimated population of nearly 30 million, South Africa's workforce is estimated to be 11 million made up of 7.7 million Blacks; 2.1 million whites; and the remainder Colored and Asian. Thirty-two percent of the economically active population are women. By sector, mining employs over 700,000 workers, manufacturing employs 1.4 million persons, agriculture employs 1.3 million, and construction employs 434,000, while the public sector accounts for 1.45 persons. In addition to the domestic workforce, in 1981 there were 300,000 workers from other African countries employed in South Africa. Estimates indicate that an annual growth rate of 4 to 6 percent is needed to absorb the number of new job seekers each year.

One of the primary characteristics of the labor force in South Africa is the shortage of skilled labor which has existed since the late 19th century. This situation, which is now being addressed more directly by both the public and private sectors has been due in large part to the lack of adequate education and training for South African blacks. Co-existing with the shortage of skilled labor is a high level of unemployment particularly among blacks. While the Minister of Manpower in 1982 projected that unemployment would reach 11.5 percent by 1987, private estimates show current unemployment as high as 40 percent of the economically active black population.

At present, there is no nationally set minimum wage in South Africa. In practice, wages are set either through collective bargaining within industrial councils or through ad hoc direct bargaining at the shopfloor level. Figures for 1982 show that Whites earn 58 percent of the nation's income while Blacks earn 29.4 percent and Coloreds and Asians earn 11.8 percent. Although Black wages have been increasing at a faster rate in recent years, the range of wages among racial groups is wide. Average monthly salaries in 1982 were $1005 for Whites, $472 for Asians, $336 for Coloreds, and $250 for Blacks.

Training

As the shortage of skilled labor has emerged as an economic reality which threatens the future economic growth of South Africa, incentives and moves toward intensive training programs are being made by both the private and public sectors. Department of Manpower statistics reveal that the number of additional skilled workers needed is almost 190,000 with the largest number of vacancies existing in the fields of civil and mechanical engineering, telecommunications and drafting.

The Manpower Training Act, which was passed in 1981 provides the government's basis for involvement in training. Under this Act, a legal framework to promote training is established, financial assistance is provided and state institutions have been set up to train workers. A National Training Board with representatives from the government, management, employees and trade unions has been established as an advisory group to the Government.

Examples of government initiatives in training include the following: Group training centers are available for unemployed workers with follow-up job placement services. In addition, employers can send workers to group training centers for specialized courses. Private firms can also establish training centers or in-house programs and apply for financial assistance with the Department of Manpower. The Department of Education and Training has accelerated classroom and school construction, opened technical centers at the secondary school level, and further technical/vocational centers at the high school and college level. Since 1979 blacks have also been able to pursue artisan apprenticeships.

The private sector, including U.S. and other foreign firms, has directly felt the shortcomings of the skilled labor shortage and has implemented training and education programs. A number of firms joined together to open a technicon (advanced technical education at the university level) for Blacks. IBM is producing video tapes as aids for teachers. Mobil is financing a special tutoring program. Rand Mines had budgeted $12 million annually for adult education centers and training centers. The American Chamber of Commerce raised $4 million for U.S. firms to construct the Pace Commercial High School in Soweto.

Trade Unions

Black labor trade unions were granted legal status in 1979. In addition, there are a number of non-registered trade unions representing blacks. An estimate of 500,000 unionized blacks means that 6.5 percent of the total black workforce belong to unions. In comparison, approximately 36 percent of employed whites belong to unions. While the percentage of black union membership is at present small, the growth of these unions will

continue to be a substantial force in South Africa. Private companies are now entering negotiations with both registered and non-registered unions.

There are several umbrella trade union groups with local affiliates. The Trade Union Council of South Africa (TUCSA) which is open to black and white union members has a membership of 430,000 with 57 affiliates. The all white conservative South African Confederation of Labor (SACLA) has 124,000 members with 12 affiliates. Among the emerging black trade union umbrella groups which are organized on an industry and/or geographic basis are: the Federation of South African Trade Unions (FOSATU) representing motor, textile and metal industries; the Council of Unions of South Africa (CUSA) representing mining and textiles; the South African Allied Workers' Union (SAAWU) and the General Workers' Union (GWU).

Employment Codes

The U.S. Government actively encourages all American firms with, or contemplating, operations in South Africa to establish employment conditions in their South African plants conforming as closely as possible to their U.S. labor practices. A decent standard of living, training and opportunites should be provided all personnel.

The U.S. Government supports the Statement of Principles initiated by Rev. Leon Sullivan in regard to U.S. firms labor practices in South Africa. Out of over 300 U.S. affiliate or subsidiaries in South Africa, there are currently 120 signatories to the Sullivan Principles. The signatory firms employ approximately 90,000 or slightly more than 70 percent of all employees of U.S. affiliates or subsidiaries.

Each of the U.S. firms endorsing the Sullivan Principles supports the following: nonsegregation of the races in all eating, comfort, locker rooms, and work facilities; equal and fair employment practices for all employees; equal pay for all employees doing equal or comparable work for the same period of time; initiation and development of training programs that will prepare Blacks, Coloreds, and Asians in substantial numbers for supervisory, administrative, clerical and technical jobs; increasing the number of blacks, coloreds and asians in management and supervisory positions; and improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Additional information on the Sullivan Principles and implementation guidelines in addition to monitoring the progress of signatory companies can be obtained from the International Council for Equality of Opportunity Principles, Inc., 1501 N. Broad Street, Philadelphia, PA 19122.

Labor Regulations

The *Industrial Conciliation Act*, No. 48 of 1953 regulates the negotiation of conditions of employment and settlement of disputes. In addition, the *Labor Relations Act*, No. 51 of 1981 provides all workers the freedom of association regardless of race. Provisions under South African labor laws apply to both foreign and local companies.

The Industrial Conciliation Act provides the machinery for collective bargaining and agreement between employers and employees on an industry-wide basis. The Act provides for the establishment of industrial councils through which registered trade unions at the industry level can initiate collective bargaining to negotiate wages and conditions of employment. Agreement reached by the councils are published in the Government Gazette and are binding on all employers and employees in the industry.

The general nature of the agreements is to establish minimum wages for various job categories. Generally, a distinction is made between minimum wages for male and female employees, but no distinction is made on the basis of race or color. Many employers pay premium wages from those prescribed in the industry-wide agreements.

Before a strike may legally take place, disputes between employers and employees must be submitted to the Industrial Council, or in the absence of an Industrial Council, to the Minister of Manpower Utilization who appoints an ad hoc Industrial Council. Only registered trade unions can participate in the collective bargaining and dispute settlement procedures established by the Act. Due in part to the Act's cumbersome resolution system and the existence of unregistered trade unions, illegal strikes, which numbered 394 in 1982, are particularly evident among Black workers. However, few prosecutions against striking workers have taken place.

The Black Labor Relations Act applies to Black employees and their employers in industries other than farming, domestic service, government service, or educational institutions. The Act provides for representation of Black employees at industrial council meetings discussing employment negotiation and dispute settlement.

While the registration of Black trade unions is now allowed under the Labor Relations Act, many emergent trade unions have decided against official registration and instead prefer to bargain unofficially with employers at the plant level. Out of a total workforce of 11 million, nearly 12 percent, or 1.3 million workers are union members. It is estimated that out of a total Black workforce of 7.7 million, 500,000 workers are union members.

The *Wage Act* No. 5 of 1957 provides for hiring wages and working conditions of workers not covered by industrial council agreements. The Wage Board submits proposals for approval to the Minster of Labor who then gazettes legally binding wage levels. The *Basic Conditions of Employment*, Act No. 3 of 1983, provides for minimum and maximum overtime hours, minimum annual and paid sick leave, termination of employment and provisions for pregnancy.

Foreign employees who plan to work in South Africa on a temporary basis must obtain a temporary work permit through the overseas South African Embassy or Consulates. South African employers who wish to hire temporary employees must show that the position cannot be filled locally, provide salary details, establish length of employment, and accept responsibility for the employee during his time in South Africa. Work permits

are normally issued valid for three months with subsequent extensions. A foreign driver's license is valid for 6 months in South Africa.

Notes for Business Travelers

Entrance Requirements

Individuals entering South Africa must have a valid passport and visa. Visas may be obtained free of charge from either the South African Embassy in Washington, D.C. or from one of the South African Consulates in the United States: 425 Park Avenue, New York, New York 10022 (Telephone 212-838-1700); Suite 1520, 1980 South Post Oak Road, Houston, Texas 77056 (Telephone 713-850-0150); Suite 3100, 444 N. Michigan Ave., Chicago, Illinois 60611 (Telephone 312-828-9200); and 9107 Wilshire Boulevard, Suite 400, Beverly Hills, California 90210 (telephone 213-858-0380).

A visitor's visa is generally valid for entry into the Republic for a period of up to 12 months from the issuing date and is valid for multiple entries. Normally the length of time a visitor may remain in the Republic is limited to a period not exceeding 6 months. Under certain conditions, the length may be extended upon application to the Commissioner of Immigration in Pretoria. A transit visa which is good for 3 days while waiting for onward air or rail connections is also available.

Visitors must satisfy the Passport Control Officer that they have sufficient funds for their stay and that they are in possession of a fully paid forward or return ticket. In the absence of such proof, the visitor may be required to pay a deposit generally equivalent to his fare home which is refunded upon departure from the Republic.

Persons entering South Africa for temporary work assignments must obtain a temporary work permit. A customs duty will be assessed but rebates given for all personal effect brought in during the work assignment. No American entering on a visitor's visa may take up remunerative employment in South Africa without special permission from the Department of Interior.

All persons arriving in South Africa via other African countries where yellow fever is known to exist must have a certificate of inoculation or immunity. Visitors travelling directly from the United States are exempt from this requirement. Visitors who plan to travel to game parks or rural areas in South Africa are advised to check with their physician regarding malaria suppressants.

Passengers entering South Africa must declare all goods in their possession with the exception of personal clothing, essential toilet articles, and used sporting equipment. In order to be free of declaration, these goods must be for the passenger's personal use, and not intended as gifts to be sold, exchanged or traded. All articles, used or unused, carried by the visitor as presents or parcels for other persons, must be declared.

There are no restrictions on the amount of dollars that may be taken into South Africa, but the traveller must declare the amount at the time of entry. On leaving South Africa, visitors must declare the amount of foreign currency they are taking with them, which is restricted by the amount brought in and how much they spent in South Africa. A permit must be obtained from a bank if currency in excess of this amount is to be taken out. Travellers are allowed to exit with up to 200 South African Rand. Dollars cannot be used in South Africa and must be converted into rand by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else, and dollars may not be used in commercial or other private transactions.

With a valid triptyque-carnet, a visitor may enter South Africa with his automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his vehicle during his stay or upon departure, he must first obtain an import permit and pay the relevant duty.

Business Etiquette

Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, and sport jackets and slacks are rarely seen at work. South African men tend to favor medium or heavy woolen suits, frequently with vests, for year-round wear. During the warmer summer months of October through March, darker light-weight fabrics such as tropical worsteds are appropriate.

Business cards should be simple, including only the basics such as name, address, and business title. Punctuality is important to the South African business person, who generally makes every effort to be on time for appointments. As a general rule, appointments should be made in advance of a business call.

Living Conditions and Costs

There are more than 1,500 licensed hotels in South Africa, ranging from small country hotels to large 5-star city hotels. Rates are considered moderate depending on the type of accommodations. Reservations should be made in advance, particularly in resort areas during the peak summer months of December and January.

Suitable long-term housing accommodations are often difficult to obtain promptly, and Americans planning lengthy stays should allow 4 to 8 weeks in a hotel until more permanent quarters can be located. Eating customs and types of food available in South Africa are similar to those in the United States. Drinking water is both ample and safe. Tipping is lower than in Europe or the United States and, as a rough guide, should not exceed 10 percent. It is customary to tip porters, taxi drivers, waiters, stewards, and hotel porters.

Local telephone service is available at reasonable rates. A delay of several months may be encountered in procuring either a business or a home telephone. Long distance calls to the United States can be made for 9.90 rand for a 3-minute call with 3.30 rand for each additional minute.

Telegraph service provided by the Department of Posts and Telegraphs is adequate and prices are reasonable. U.S.-South African cablegrams cost 18 rand cents per word, with a 7 word minimum, and arrive in 4-5 hours;

night letters cost 1.98 rand with a 22 word minimum plus 9 rand cents for each additional word. Air mail from the U.S. to South Africa generally takes 5 to 6 days, while surface mail takes from 3 to 6 weeks. Postage for first class letters is 25 rand cents for each 10 grams, while postage for post cards is 15 rand cents.

South Africa's medical facilities are excellent. Almost all pharmaceutical products are available and general hospitals in the leading cities are equipped to handle all medical needs.

Commercial Language

Although English and Afrikaans are South Africa's two official languages, English is more frequently used commercially. A majority of the White population speaks both languages and a considerable proportion of the Colored, Asian, and Black population speak English and Afrikaans. In addition, Blacks generally speak at least one tribal language, while the Asians speak either Tamil, Hindi, Gujerati, or Telegre at home. Most firms in South Africa are able to correspond in either English or Afrikaans. There is some lanuage sensitivity in South Africa, particularly among the Afrikaner population. Consequently, many firms print much of their literature, including annual statements, in both languages.

Holidays

There are 10 statutory public holidays in South Africa: New Year's Day, Good Friday, Family Day (Easter Monday), Founders' Day (April 6), Ascension Day, Republic Day (May 31), Kruger Day (October 10), Day of the Covenant (December 16), Christmas Day, and Day of Goodwill (December 26). When New Year's Day falls on a Sunday, the following Monday is a public holiday. When Founder's Day falls on Good Friday, the following Saturday is a public holiday.

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Table 1.—South Africa's Economy: Gross Domestic Product by Sector 1978-1982

(Current prices in millions of dollars)

Sector	1978	1979	1980	1981	1982
Agriculture, Forestry, Fishing	3,241	3,539	5,260	5,300	4,091
Mining and Quarrying	6,596	9,624	16,518	12,828	9,559
Manufacturing	9,500	11,863	16,860	18,429	16,265
Utilities	1,842	2,127	2,707	2,725	2,856
Construction	1,771	1,998	2,652	2,908	2,708
Transport, Communications	4,178	4,746	6,177	6,713	6,052
Finance	5,268	6,276	8,230	8,730	8,584
Government Services	4,231	5,055	6,318	6,925	6,837
	(Percent share of total)				
Agriculture, Forestry, Fishing	7.5	6.7	7.1	7.0	6.1
Mining and Quarrying	15.3	18.3	22.2	16.3	14.2
Manufacturing	22.1	22.6	22.6	24.5	24.2
Utilities	4.3	4.0	3.6	3.6	4.2
Construction	4.1	3.8	3.6	3.9	4.0
Transport, Communications	9.7	9.0	8.3	8.9	9.0
Finance	12.2	11.9	11.0	11.6	12.8
Government Services	9.8	9.6	8.5	9.2	10.2

Source: South African Reserve Bank (SARB) Quarterly Bulletin, December, 1983, Pretoria.

Table 2.—Gross Domestic Product 1978-1982
(millions of dollars)

	GDP at Market Prices	GDP at Constant Prices	Per capita Real GDP ($)
1978	43,010	31,127	—
1979	52,586	32,333	—
1980	74,516	34,706	1,239
1981	75,196	36,391	1,268
1982	67,248	35,954	1,223

Source: South African Reserve Bank (SARB) Quarterly Bulletin, Dec. 1983, Pretoria

Table 3.—Leading U.S. Exports to South Africa
(millions of dollars)

Item	1982	1983
Aircraft	120.8	174.0
Corn	—	126.4
Rice	43.3	50.5
Automatic Data Processing Parts	40.1	47.7
Aircraft Turbines	12.1	44.4
Digital Central Processing Units	40.1	32.4
Digital ADP Equipment	21.8	28.3
Base Stock for Milk Cartons	28.6	24.6
Backhoe Parts	39.6	22.3
Motor Vehicle Parts	33.7	20.5
Woodpulp, Sulfate and Soda	20.7	20.0
Soda Ash	18.5	16.1
ADP Terminals	17.2	13.8
Lubricating Oils	19.0	12.8
Acrylic and Modacrylic Fibers	15.9	9.8
Parts of Boring and Drilling Equipment	11.9	9.6
Carbon Black Feedstock	16.1	9.1
Total	499.4	662.3
Total Exports	2,359.9	2,114.7

Table 4.—South African Imports
Leading Imports
(Millions of U.S. Dollars)

Item	1979	1980	1981	1982	Percentage Supplied by U.S. 1979	1980	1981	1982
Rice	48.7	58.8	75.2	65.9	84.2	81.5	81.7	83.3
Miscellaneous Chemical Products	206.2	252.3	956.7	814.2	26.9	43.6	24.6	28.7
Paper and Paperboard	151.7	258.1	266.9	248.1	25.9	28.5	29.9	31.5
Synthetic Yarn and Fiber	122.2	167.5	215.0	194.8	20.4	27.6	20.4	18.7
Precious and Semiprecious Stones and Metals	49.4	76.9	92.7	120.9	3.8	4.9	4.2	3.8
Sheets and Plats of Iron or Steel	6.7	17.2	13.5	13.4	3.6	2.3	3.9	3.2
Articles of Iron or Steel	291.8	336.9	513.9	379.3	5.4	6.3	8.7	7.8
Internal Combustion Piston Engines	130.1	196.6	315.3	265.9	26.5	28.3	18.6	13.7
Pumps, Valves and Compressors	117.7	213.5	356.7	195.8	21.3	20.7	21.5	20.9
Machinery for Treatment of Materials using Heat	200.2	499.9	302.0	109.7	9.6	7.8	10.5	10.6
Lifting, Handling and Loading Equip.	47.8	69.3	119.8	119.8	16.9	17.1	20.7	20.2
Excavating, Level, Boring, Extracting Equipment	160.7	281.2	316.2	228.8	50.8	49.1	44.6	48.1
Harvesting and Threshing Machines	16.6	55.9	103.9	61.6	16.2	15.9	23.5	14.7
Metalworking Machine Tools	116.0	233.7	343.1	203.8	4.8	5.2	6.6	7.0
ADP Equipment	172.6	258.0	316.9	362.3	44.1	46.8	48.5	46.9
Miscellaneous Machines and Machinery	96.8	176.7	280.4	314.2	13.8	12.5	13.6	11.9
Taps, Valves and Corks	74.0	114.3	158.9	109.9	24.7	21.1	20.9	27.5
Bearings: Ball, Roller Needle Roller	53.9	92.6	98.0	74.9	16.2	24.1	23.5	23.7
Trans. Shafts, Cranks and Casings	88.1	127.7	148.9	161.6	28.1	30.3	28.7	24.1
Generators, Motors and Converters	109.9	201.2	274.4	203.9	15.4	17.5	12.9	16.2
Radio, TV, Telegraph, Telephone Equip.	83.3	105.8	162.3	109.1	26.6	16.3	17.4	20.2
Switchgears	163.0	223.5	274.8	231.1	11.9	14.5	14.4	15.6
Railroad and Tramway Locomotive Parts	63.1	64.5	96.2	106.9	57.4	56.8	66.0	42.9
Motor Vehicles, Chassis, Parts	1,007.9	1,444.8	1,921.2	1,483.6	6.2	7.1	3.2	4.2
Tractors	159.5	393.5	507.9	256.8	28.0	18.1	15.6	14.4
Aircraft and Parts	45.2	76.1	267.6	367.1	80.5	85.7	77.2	54.7
Total Imports	11,810.7	18,594.1	21,254.9	16,944.8	12.5	13.5	14.3	14.5

Source: South African Trade Statistics, Vol. 1 Calendar Year 1982, Vol. 1 Calendar Year 1980, Government of South Africa, Pretoria

Table 5.—Value of Manufacturing Sales 1979-1982
(thousands of dollars)

Item	1979	1980	1981	1982
Food and Beverages	6,337	10,752	11,076	10,433
Tobacco Products	594	710	685	683
Textiles	1,640	2,532	2,611	2,002
Clothing and Footwear	1,155	1,972	2,213	1,829
Paper and Printing	1,799	3,046	3,295	2,972
Chemical and Chemical Products	6,570	9,482	10,567	9,554
Non-metallic Mineral Products	990	2,011	2,114	1,838
Basic Metals	4,624	6,110	6,037	4,694
Fabricated Metal Products	2,320	4,420	4,932	4,598
Machinery, except Electrical	1,704	3,117	3,619	3,455
Electrical Machinery	1,569	2,354	2,594	2,250
Transport Equipment	498	557	577	641
Total Manufacturing	35,005	56,108	60,471	53,269

Source: Bulletin of Statistics, December 1983. Republic of South Africa Central Statistical Services, Pretoria.

Table 6.—Manufacturing Production Index 1978-1982
(Base 1975=100)

Item	1978	1979	1980	1981	1982
Food	112.2	116.9	124.6	133.1	138.1
Textiles, Clothing and Footwear	110.3	122.9	144.1	161.8	152.8
Chemicals and Chemical Products	112.7	118.7	129.5	135.3	132.9
Non-metallic Mineral Products	94.6	99.4	115.6	119.2	115.8
Basic Metals and Metal Products	117.3	131.3	137.7	142.3	132.2
Machinery incl. Electrical Machinery	94.5	108.1	123.4	129.1	128.2
Transport Equipment	90.7	91.6	110.1	131.8	127.5
Other	96.6	106.4	116.0	126.6	128.3
Total	105.3	115.0	126.7	135.6	132.4

Source: South African Reserve Bank (SARB) Quarterly Bulletin, December 1983, Pretoria.

Table 7.—Leading Mineral Production 1980-1982

Item	Unit	1980	1981	1982
Antimony	1,000 metric tons	22.4	9.8	15
Asbestos	1,000 metric tons	275	235	211
Chromite	1,000 metric tons	3,413	2,869	2,163
Copper	1,000 metric tons	200	199	188
Diamonds	1,000 carats	8,521	9,525	9,153
Fluorspar	1,000 metric tons	521.9	496	330
Gold	kilograms	672	655	662
Gypsum	1,000 metric tons	452	554	534
Iron Ore	1,000 metric tons	26,312	28,318	24,553
Limestone and Dolomite	1,000 metric tons	22,052	23,358	22,378
Magnesite	1,000 metric tons	59	56	32
Manganese Ore	1,000 metric tons	5,692	5,039	5,216
Salt	1,000 metric tons	567	525	586
Silica	1,000 metric tons	1,616	1,386	1,259
Silver	kilograms	222	235	215
Sulphur	1,000 metric tons	N/A	629	599
Uranium	kilograms	N/A	7,234	6,862
Vermiculite	1,000 metric tons	185	190	182

Source: Republic of South Africa Minerals Production Statistics Questionnaire from 1982 and 1983, U.S. Consulate, Johannesburg: *A Report for the Republic of South Africa: Minerals* Oct-Dec. 1980, Department of Mineral and Energy Affairs, Pretoria

Table 8.—Agricultural Production 1978-1982
(in 1,000 metric tons)

Item	1978	1979	1980	1981	1982
Wheat	1,690	2,086	1,470	2,340	2,400
Rye	3	6	4	7	7
Corn	10,201	8,271	10,794	14,645	6,434
Barley	135	141	60	106	110
Oats	69	87	65	82	92
Sorghum	611	354	695	545	280
Beans, dry	80	49	69	76	60
Dry peas	7	6	9	8	9
Cowpeas	8	8	10	15	10
Potatoes	701	696	686	885	981
Sweet potatoes	44	47	46	45	44
Tobacco	45	49	36	29	36
Cotton	51	55	65	58	36
Cottonseed	102	100	119	103	65
Soybeans	37	26	40	28	21
Peanuts, in shell	304	179	348	309	114
Sunflower seed	444	312	328	517	254
Chicory	15	17	6	16	18
Tomatoes	270	293	276	310	384
Oranges	581	591	564	598	550
Apples	381	363	426	394	433
Pears	108	126	133	136	142
Peaches	153	164	211	166	185
Bananas	90	103	108	112	114
Pineapples	167	203	222	227	232
Grapes, for wine	953	991	1,099	1,193	1,250
Sugar, raw	2,209	2,206	1,709	2,108	2,271
Raisins	16	16	24	23	24
Beef and veal	589	637	619	542	592
Mutton and lamb	153	158	159	162	178
Pork	89	88	92	96	109
Poultry meat	321	324	342	361	374
Milk	2,239	2,280	2,416	2,322	2,311
Wool	106	102	103	101	106
Eggs	166	183	184	194	213

Source: U.S. Department of Agriculture, Statistical Bulletin No. 697